

Gorbachev and
the mullahs

Gilliam Tett investigates the Soviet
Union's shadowy Islamic party which
is sending tremors through the
Communist hierarchy. Page 1



Earth's scientist

James Lovelock, left, talks about the
Gaia theory. Page XIV

Gain without pain?

Guaranteed equity schemes: aiming
for capital growth and your money
back. Page III

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES



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Weekend August 17/August 18 1991

D 8523A

WORLD NEWS

EC observers' helicopter is hit by gunfire in Croatia

European Community ceasefire observers yesterday came under attack when their helicopter was shot at. No one was hurt, said a spokesman for the EC mission in Zagreb, capital of the breakaway republic of Croatia.

The attack coincided with a declaration of autonomy by Serbs in Pakrac an eastern region of Croatia. Page 22

69 die in air crash

All 69 passengers and six crew members of an Indian Airlines Boeing 737-200 on a flight from Calcutta were feared killed when it crashed shortly before it was due to land at Imphal, capital of the north-eastern state of Manipur. Page 3

McCarthy to leave base

Freelance journalist John McCarthy today leaves RAF Lyneham in Wiltshire for a secret hideaway. Meanwhile yesterday UN secretary-general Javier Perez de Cuellar said he hoped the Middle East hostage crisis could be resolved within two weeks. Uri Lubrani, Page 6

Divers presumed dead

Three British divers and a New Zealander trapped in a diving bell under the South China Sea were presumed dead and a rescue attempt was abandoned. A fourth Briton is among the 10 missing in the accident in which an oil rig barge capsized after being hit by Typhoon Fred. Page 10

Two die in Ulster

The Ulster Freedom Fighters, an outlawed Protestant paramilitary group, said it murdered Sinn Féin member Thomas Donaghy, near Killybegs, in County Londonderry. Hours later, loyalist gunmen killed a Catholic man, Martin O'Prey, at his home in the Falls area of Belfast. Page 4

Early election for Turkey

Turkey's ruling centre-right Motherland Party is to call a general election this year, one year ahead of schedule. Meanwhile 19 people were killed in clashes between Turkish troops and Kurdish rebels, at the start of the eighth year of a separatist Kurdish struggle in south-east Turkey, an official said. Page 2

Probe into hanging case

Home secretary Kenneth Baker has ordered the Metropolitan police to examine fresh evidence in the case of Derek Bentley, who was hanged in 1953 for the murder of a police constable. Page 4

Ethiopia approves rights

Ethiopia's new government approved rights to hold political meetings and demonstrations, officially ending years of repressive one-party Marxist rule.

Iranian protest claim

An Iranian opposition group, the Iraq-based Mujahideen Khalq, said 30,000 people held an anti-government protest in the western city of Zanjan and clashed with Revolutionary Guards who shot dead five protesters and arrested 2,000 people. There was no independent confirmation.

Sitting pretty

A mystery Japanese businessman has paid £30,000 for the 36 chairs used by world leaders at the G7 summit last month. The chairs were auctioned to raise money for the Acorns children's hospice in Birmingham by Birmingham-based Roc Office Furniture.

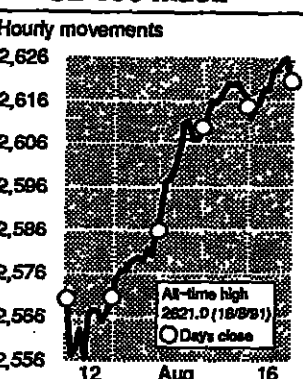
BUSINESS SUMMARY

US industrial production rise hints at recovery

US industrial production rose 0.5 per cent in July to register its fourth consecutive monthly increase, an encouraging sign of recovery after recent reports of declining employment.

However, separate figures for merchandise trade underlined the recovery's uneven nature. The trade deficit shrank to \$4bn (£2.3bn) in June, the smallest for eight years, largely reflecting a sharp fall in imports. Page 22

FT-SE 100 Index



Hourly movements
2,626
2,616
2,596
2,586
2,576
2,566
2,556
12 Aug 16

ELECTROLUX, world's largest

white goods manufacturer, turned in better-than-expected first-half results with a 6 per cent fall in profits (after financial items) to SKr917m (£36.1m) from SKr1,011m for the same period last year. Page 10

LLOYDS Chemists, which runs

the UK's second largest chemists' chain after Boots, became the third company to bid for Macarthy, owner of a rival set of shops. Lloyds is offering £74m for Macarthy, which owns the Savory & Moore chain, a pharmaceutical distribution business and health food shops. Page 22 and Lex

EUROPEAN Commission is

to examine the planned sale of assets by PanAm, the transatlantic airline, to Delta Air Lines. Brussels has a month to decide whether the deal might hinder competition in the EC. Page 3

ISLE of Man will tighten its

investment laws to stop the island being used by dubious investment operators. Those selling life or pension products in or from the island will have to be licensed as an investment business from January 1 1992. Page 22

RESEARCH and development

in Britain is in crisis as a result of persistent government underfunding, the Association of University Teachers said. The AUT said R&D in the UK was falling behind that of the US, Germany and Japan. Page 5

MANNESSMANN, German engineering

group, reported a 27 per cent drop in post-tax first-half profits to DM134m (£45.7m). The company cited weak foreign business and increased investment in its mobile telecommunications business. Page 10

GUERNSEY authorities have

reached agreement with Norwich Union, a leading UK mutual insurer, over a private medical health insurance scheme to provide cover for the island's 60,000 residents. Guernsey is a self-governing Crown dependency, not covered by the UK's National Health Service. Page 5

Fall in UK inflation seen as sign of recovery

By Peter Marsh, Economics Staff

THE UK economy is on course for recovery, the government said yesterday, as official figures showed a large fall in retail price inflation in July.

It is the first month-on-month fall this year.

The annual rate of rise in retail prices fell to 5.5 per cent last month, from 5.8 per cent in May and June, helped by the biggest falls in food prices for six years and summer sales in shops.

Mr Francis Maude, financial secretary to the Treasury, said Britain's future prosperity depended on further falls in inflation, and that confidence was increasing.

Speaking on BBC Radio, Mr Maude said that the recovery might already have started, even though the evidence was patchy. He said that the scope for further cuts in interest rates, which have fallen by 4 percentage points to 11 per cent since October, was "less than it was".

On the London stock market, share prices closed at a new high for the third successive day, as investors took heart from a series of economic indicators that suggest the recession might end soon.

Although prices fell towards the close in reaction to losses on Wall Street caused by the suspension of shares in Salomon Brothers, the FT-SE 100 index of leading shares at finished at 2,551.0, up 8.5, to show a rise on the week of about 2 per cent.

The inflation figures failed to impress opposition politicians, who pointed to Thursday's announcement of a £7,800 rise in July unemployment and cautious comments from the Bank of England on lack of evidence of an upturn.

For the Liberal Democrats,

Confusing week.....Page 4
Editorial Comment.....Page 6
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Outlooker.....Weekend II

Mr Simon Hughes said there was "no hope" of an early recovery, while Labour said Conservative policies damaged chances of a sustained increase in activity.

The inflation numbers showed July's fall in retail prices brought the headline inflation rate to its lowest level for three years. It stands at about half the peak rate of 10.9 per cent reached in September and October last year, and appears on course to reach the government's target of 4 per cent by December.

The government was further cheered by the Central Statistical Office's announcement of a fall in a key measure of underlying inflation - retail price changes minus the impact of mortgage interest payments - which declined from an annual rate of 6.9 per cent in June to 6.8 per cent last month.

Another indicator of inflation tracked by the CBO - retail prices less the effects of mortgage payments and the poll tax - fell from 8.9 per cent in June to 8.8 per cent in July. In June, both these measures had shown an increase compared with May.

In clothes and shoe shops, prices fell by a rate only seen once before in the past 70 years, as retailers cut prices to increase sales volumes. While motorist expenditure showed a rise because of higher petrol prices, the retail price numbers also benefited from lower prices for household goods such as electrical appliances.



Standing down: John Gutfreund will submit his resignation as Salomon chairman at a board meeting tomorrow

Top Salomon executives resign

By Patrick Harverson in New York

MR WARREN BUFFETT, the legendary US investor, is to take over the helm of Salomon Brothers after Mr John Gutfreund said yesterday he would resign as chairman of the embattled securities house because of the wake of the scandal surrounding its illegal activities in the US government bond markets.

In a terse statement issued at 2.30pm New York time, Salomon said Mr Gutfreund and Mr Thomas Strauss, president, were prepared to submit their resignations at a special board meeting tomorrow "to give the Salomon board of directors maximum flexibility".

Salomon said Mr Buffett, a board member and owner of \$700m (\$414.2m) preferred Salomon convertible stock, would take over as interim chairman and chief executive officer.

Mr Buffett is known for his astute investments, through his stock market vehicle Berkshire Hathaway, in media companies such as the Washington Post and ABC Capital Cities, and the insurance group GEICO.

The status of Mr John Meriwether, vice-chairman of Salomon and the last of the three senior managers implicated in the scandal, will be considered by the board tomorrow.

The resignations were forced upon Salomon after the company revealed on Wednesday that Mr Gutfreund, Mr Strauss and Mr Meriwether waited four months before informing government authorities that its traders had falsified customer orders and violated Treasury rules in the bond markets.

The Federal Reserve Bank of New York, which oversees the government bond markets, is reviewing its relationship with Salomon in light of the changes at the top of the firm and the steps taken to "address the firm's management control failures".

The New York Fed also said

yesterday it was granting Salomon more time to provide a full explanation of its activities in the bond markets.

The announcement that Mr Gutfreund is prepared to resign, and the Fed's measured response to that decision, temporarily lifts the threat that Salomon's primary dealership status might be revoked because of the scandal.

If Salomon were to be banned from dealing directly with the Fed in government bonds, its future as a leading player

Continued on Page 22

Lex, Page 22
Dog days, Weekend Page II

S Africa amnesty for political exiles

By Patti Waldmeir in Johannesburg

THE United Nations and the South African government have agreed terms of an amnesty for political exiles.

The move paves the way for as many as 40,000 refugees to return and removes another obstacle to negotiations on a post-apartheid constitution.

The agreement, reached after 18 months of tough negotiations, provides for the UN

High Commission for Refugees (UNHCR) to set up offices in South Africa to ensure government compliance with the terms of the amnesty.

The UN will return to the country after an absence of 30 years, during which South Africa was viewed as an international pariah.

The accord came only a day after agreement was reached

on a plan to bring peace to South Africa's black townships. Together, the two agreements remove the most important remaining obstacles to talks on a new constitution, which government officials said could begin as early as the end of November.

Mr Nicolas Bwakira, head of the African division at UNHCR, said the agreement

would allow political refugees to return to South Africa without fear of prosecution for offences committed either before or during their exile.

A blanket amnesty will be given to all those who have committed crimes falling under the internationally agreed definition of a political offence. Previously, the government

Continued on Page 22

US company wins fight for British computing group

By Alan Cane and Richard Gourlay

SD-SCICON, one of the UK's last independent large computing service companies, last night fell into US hands at the end of a lengthy, hard-fought and sometimes acrimonious takeover battle.

Electronic Data Systems, the information technology arm of General Motors of the US and the world's largest computing services company, said it had 56.75 per cent of SD-Scicon's stock.

The EDS offer values SD-Scicon at £162m.

Yesterday morning, EDS held just over 35 per cent of SD-Scicon's stock, but 36 per cent of shareholders had already made clear their intention to reject the offer.

The balance was finally swung by Morgan Grenfell Asset Management, with 15 per cent of the stock, which announced in mid-afternoon that it intended to accept the EDS offer.

Mr John Jackson, SD-Scicon's non-executive chairman, will meet Mr Gary Fer-

namides, EDS senior vice-president, on Monday to agree arrangements for SD-Scicon's management and staff. Mr Jackson said it was "a bad day for British industry".

The battle ended dramatically with a mystery competitive bidder, threats of legal action and an approach to the Takeover Panel.

Earlier in the week, World Software, a computing services operation in which Volmar has a major stake, said it would be willing to acquire Morgan Grenfell's holding at a price of 80p.

Morgan Grenfell's fund managers said yesterday they had decided against accepting the World Software offer because of a question of corporate governance: the 80p offer was open only to Morgan Grenfell and it believed other SD-Scicon shareholders would have been prevented from accepting the EDS offer had it sold to World Software. It had been, the fund managers said, an "agonising" decision.

Mr Jackson said the Morgan Grenfell decision, which he described as "monstrous", was the result of an "honest but mistaken belief" that it had a responsibility to shareholders other than its own clients.

"Morgan Grenfell finally decided to play the role of executioner," Mr Jackson said. "It is an excellent example of shareholders thinking they have duties and responsibilities that are in fact the duties of the board of companies."

Mr Jackson had decided against taking legal action against Morgan Grenfell because of further damage it might do to SD-Scicon after some three months of takeover activity.

The battle for SD-Scicon, which lost some £20m last year after making provision for the completion of poorly managed fixed price contracts, has been unusual because hostile bids are rare in the computing services business which is entirely dependent on highly skilled staff.

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Pay now, mean later

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Uri Lubrani

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The other Europeans on the move

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The technological tool for our times

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LONDON MONEY
3-month interbank: 10 1/4 % (10 1/4 %)
Life long gilt futures: Sep 93, 94 (93 1/4)

STERLING
New York lunchtime: \$1.669
London: \$1.662 (1.668)
DM2.925 (2.925)
FF9.955 (9.95)
SF2.50 (2.57)
¥225.0 (225.2)
£ index 90.3 (90.8)

GOLD
New York: Comex Dec \$363.7 (362.7)
London: \$358.15 (358.65)

N SEA OIL (Argus)
Brent Oct \$19.55 (19.45)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime: DM4.765
London: SF7.5425
¥137.38
DM1.7605 (1.735)
FF5.59 (5.595)
SF1.54 (1.523)
¥137.25 (136.4)
£ index 97.0 (96.4)
Tokyo close: ¥136.9

US LUNCHTIME
Fed Funds: 5 1/2 %
3-mo Treasury Bill: 5.419 %
Long Bond: 100 3/4
yield: 8.1 %

STOCK INDICES
FT-SE 100: 2,551.0 (-1.2)
FT Ordinary: 2,007.5 (-1.2)
FT-A All-Share: 1,254.97 (+0.2)
New York lunchtime: DJ Ind. Av. 2,977.42 (-21.01)
S&P Comp 388.41 (-2.92)
Tokyo: Nikkei 22,814.37 (-204.31)

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	United Kingdom	

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INTERNATIONAL NEWS

Gorbachev aide to resign as party member

By John Lloyd in Moscow

MR ALEXANDER Yakovlev, long time aide to Mr Mikhail Gorbachev, the Soviet president, and an increasingly disillusioned liberal in the Communist Party leadership, yesterday announced his intention to quit a party which, he said, was still in thrall to a "Stalinist clique".

His statement followed a decision of the Party Central Control Commission that it would seek his expulsion from the party, after several weeks in which his hostility to communism and the party was made more and more evident.

At the same time, a string of well known names are expected to announce today their allegiance to the Movement for Democratic Reform — the group began by Mr Yakovlev, Mr Eduard Shevardnadze, the former Foreign Minister, and others.

These include Mr Nikolai Stolyarov, chairman of the Russian Communist Party's Control Commission and a rare radical in its ranks, and Mr Mikhail Shatrov, the writer, and a serving government minister.

Mr Arkady Volsky, chairman of the Scientific-Industrial Union of major enterprises and himself a close ally of Mr Gorbachev, said that the movement would decide at its congress —

to be held, he said, in October rather than, as announced, in September — whether or not to turn itself into a party or remain as a movement.

His own view was that it should remain as an umbrella movement, capable of uniting the more than 300 democratic parties and groups now active in the Soviet Union.

Yet another sign of the communist party's now rapid decline is its obvious resignation to the fact that its branches in enterprises will be closed down, under a decree promulgated last month by Mr Boris Yeltsin, the Russian president.

Mr Georgy Tarasovich, chairman of the Supreme Soviet's committee on nationalities, said at a conference on Thursday: "It seems to me that the Constitutional Compliance Committee (of the Supreme Soviet) will not overturn this judgment."

At a meeting on Tuesday between Mr Yeltsin and Mr Valentin Kuptsov, the new general secretary of the Russian Communist Party, the two men agreed a deal that the branches could withdraw slowly from enterprises — but that the process should be completed by the end of the year.



The Pope kneels to kiss the ground yesterday on arrival at Budapest airport on his first official visit to formerly communist Hungary

Bundesbank keeps options open on Lombard rate rise

By Andrew Fisher in Frankfurt

MR HANS Tietmeyer, deputy president of the Bundesbank, yesterday sought to emphasise the central bank's freedom of manoeuvre by stating that this week's slight rise in the Lombard rate did not necessarily mean a further one was on the way.

"If we had believed that a larger increase was necessary, we would have decided this," he said in a German television interview.

The Bundesbank raised the discount rate by a full point to 7.5 per cent and the Lombard rate, which is of greater significance for monetary policy, by only 0.25 percentage points to 9.25 per cent.

Mr Tietmeyer said the quarter point increase was enough for present conditions.

Monetary policies were on the right track and the timing of the move was right. Mr Helmut Schlesinger, the Bundesbank's president, said after the rate decisions on Thursday that it wanted to keep money supply growth this year at the lower end of its 3 to 5 per cent target range.

"One cannot exclude what happens in the autumn," Mr Tietmeyer said about speculation over the next Lombard increase. The latest rate rise should be seen as a sign that the Bundesbank would not remain idle in the face of rising

inflation. Mr Schlesinger said, when asked about the possibility of a further Lombard rise: "I can't either exclude or give advance notice of something like this."

The small rise in the Lombard rate is designed to give the Bundesbank greater flexibility in conducting its monetary policies.

It also, economists noted, provides scope for further rises if inflation does accelerate too much.

But the Bundesbank is likely to wait for the start of the wage round — Volkswagen's next pay contract starts in November — before considering further action.

Germans concerned at poor foreign investment

By David Goodhart in Bonn

GERMAN business invested DM30bn abroad last year but foreign business invested only DM3bn in west Germany, according to a report from the IDW economic institute in Cologne.

The report returns to the themes that were worrying German businessmen at the end of the 1980's — high labour costs and business taxes, and the decreasing attractiveness of Germany for foreign investors — and concludes that they have been getting worse.

Retained profits, for example, are taxed at 56 per cent in Germany compared with 56 per cent in France, 47 per cent in Italy and 35 per cent in Britain and the Netherlands. Labour

costs in France are 68 per cent of the German level and in Britain only 65 per cent. Even taking account of Germany's higher productivity, France has a 13 per cent cost advantage and Britain a 20 per cent advantage.

The report also points out that American investors are shying away from Germany. In 1985 Germany was second to Britain as the most favoured European business location but it has now slipped to fourth place behind France and the Netherlands. Between 1986 and 1989 the US invested \$6.3bn (£3.72bn) in Germany compared with \$2.8bn in the UK.

The Japanese, too, seem to be shying away from Germany.

New York cut up over fate of hairy Yankee

By Patrick Harverson in New York

THE headlines said it all: "Play Ball", "Shear Madness". "Hair Today, Gone Tomorrow". Don Mattingly, veteran baseball slugger, captain of the New York Yankees and all-round good chap, had been dropped from the team for not getting his hair cut.

The row over the hirsute hitter hogged the front and back pages of the city's tabloids yesterday, eclipsing the achievements of another famous New Yorker noted for his absence, not abundance, of hair. (Paul Simon, a keen Yankee fan, played before three quarters of a million New Yorkers in central park on Thursday night).

The middle of August is the hottest, and usually the craziest time of the year in New York, but even then used to the excess of the city and its sports teams are amazed at the fuss over Mattingly's mop. It is not as if the player has Samson-like locks, cascading down his back. After a recent trim, they barely touch his collar.

This, however, still failed to meet the Yankees' classification of "well groomed" in its team hair policy. So Mattingly was ordered by his manager, Stump Merrill, to get a haircut. Mattingly refused, so Merrill dropped the best and most experienced player on his young and struggling team from Thursday's game against the Kansas City Royals.

What has so exasperated the Yankees is that the whole episode harks back to the bad old days, when George Steinbrenner, the club's hated owner, ran the Yankees like a personal fiefdom. Although Steinbrenner was barred last year from the day-to-day running of the Yankees because of his links with a known gambler, fans fear he may have had a hand in the Mattingly saga.

Yet it seems that Steinbrenner, reluctant though New Yorkers would be to admit it, may be a wronged man. Gene "Stick" Michael, the general manager of the Yankees, is said to have given the order to bring the hairier Yankees into line.

Stick Michael's complex about hair length probably developed back in the 70s when he played for the Yankees. One day in May 1973, when Michael was short-stop for the Bronx Bombers, the new owner, keen to make a mark on his freshly-acquired but poorly-coiffured charges, ordered several players to get a hair cut. One of those players was Stick Michael. The owner, of course, was George Steinbrenner.

Swedes launch package to provide jobs

SWEDEN'S ruling Social Democrats announced yesterday a \$8.1bn package to combat the country's rising unemployment. Robert Taylor writes in Stockholm. This involves bringing forward approved infrastructure investment projects as well as measures to provide at least 12,000 more work and training places.

With the general election only four weeks away the government is keen to demonstrate that it is determined to reduce lengthening queue. Last month registered unemployment in Sweden rose to 2.8 per cent, very low by western European standards but high enough to worry Swedes who are used to virtual full employment.

The package promises to provide at least a further 12,000 work or training places in co-operation with local authorities and employers. The infrastructure projects include the go-ahead for a third runway at Stockholm's Arlanda airport.

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Cable and Wireless in Soviet-US telecom deal

By Leyla Boulton in Moscow

CABLE and Wireless, the UK-based telecommunications group, has agreed to acquire a 33 per cent stake in Sovam Teleport, a Soviet-American telecommunications joint venture which provides data transmission networks and value added services for the fast-developing Soviet telecommunications market.

Prof Oleg Smirnov, chairman of the joint venture, said yesterday the agreement with Cable and Wireless would be signed next month but declined to disclose any finan-

cial details.

He said the joint venture, in which the US and Soviet partners would also each hold a 33 per cent stake, planned to expand its present line of business but also move into other fields, possibly including fibre optic cables.

"We are going to move step by step to build a much bigger network. We are also going to start voice communications and if everything goes well, we will move into fibre optic cables," he said. Cable and Wireless yesterday refused to comment.

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Throughout the week you'll also find regular features of special relevance to your particular area of business.

Take Monday. As well as the Architecture and Shipping features, Monday is Diary day, when we take a look at what the business, parliamentary and financial week has in store.

The first of the FT's Law Reports is on Tuesday, together with a feature on Small Businesses, and the daily Management and Technology pages.

On Wednesday, you'll find top management positions on offer, both financial and non-financial.

In Thursday's FT, we focus on, among other things, Marketing and Advertising and on Friday, it's the turn of Industrial and Commercial Property.

There's a great deal more than you may think in the pink pages. Pick up a copy of Monday's FT and find out.

No FT...no comment.

Turkey to hold early election

By Damian Fraser in Mexico City

TURKEY'S ruling centre-right Motherland Party announced yesterday it would call a general election this year, one year ahead of schedule, Reuter reports from Ankara.

The party said after a meeting of its 275 deputies that the election would take place between October 20 and December 1, the semi-official Anatolian news agency reported.

The party, whose popularity has declined since Mr Turgut Ozal, the former prime minister, led it to election victories in 1983 and 1987, has a commanding majority in the present 450-seat chamber.

Mr Ozal has continued to bask in political life since parliament elected him president in 1989, but his power could be eroded if the party is defeated at the polls or forced to share power with its social democratic or conservative rivals.

The new government of Mr Mesut Yilmaz, prime minister, formed in June, has not yet unveiled an economic plan to tackle pressing problems of inflation and yawning state budget deficits.

It was not clear if the poll decision will delay a planned conference on Cyprus.

Mexico gives upbeat picture of economy

By Damian Fraser in Mexico City

THREE days before Mexico goes to the polls to elect a new Congress, the department of planning and budget, and the treasury have released with debt political timing reports giving an upbeat picture of the country's economic performance.

"Never in the history of the country were public finances as solvent as they are now," the two ministries reported in a self-congratulatory mood.

Mexico's economy grew by 5.3 per cent in the second quarter of the year, from a revised 4.3 per cent in the first quarter. This brings growth in the first half of the year to 4.8 per cent, compared to the same period in 1990, the fastest first half growth since 1981.

Cumulative inflation for the first six months of the year reached 9.1 per cent, the lowest for a decade.

The strong growth helped push up the current account deficit to \$3.96bn in the first five months of the year, roughly \$1bn more than the deficit for all of 1990.

The deficit was increased by a surge in imports, up 39.3 per cent in the first half, compared to the same period last year.

non-oil exports expanded by 17.4 per cent, and manufacturing exports by 19.2 per cent.

The deficit, said the finance ministry, was easy to finance thanks to a continued inflow of foreign capital. In the year to May the capital account was in surplus by \$3.7bn, almost equal to the surplus for 1990.

Thanks to revenues from privatisations, lower interest rates, and some budget cuts, Mexico ran a budget surplus of \$3.2bn in the first half, compared to a deficit of a similar size in the same period last year.

Excluding revenues from privatisations, the budget would have been in deficit by \$1.6bn, a little less than 1 per cent of GDP.

The finance ministry also disclosed the extent of Mexico's re-acceptance in the international capital markets. In the first half of the year the Mexican public sector issued \$300m in bonds with an average five year maturity and 266 basis points above US Treasury bonds. The terms, said the ministry, "compare very favourably with those in 1990".

US ruling may drive portable computer production abroad

By Louise Kehoe in San Francisco

US PERSONAL computer manufacturers may be forced to shift production of portable computers out of the US in the wake of a ruling by the International Trade Commission that has triggered steep dumping duties on Japanese-built portable computer displays.

The ITC ruled on Thursday that US display makers had been injured by Japanese dumping of active matrix liquid crystal displays. Dumping duties of almost 63 per cent were immediately imposed on all such displays exported from Japan.

Both International Business Machines and Apple Computer said they might be forced to relocate production of new portable computer products incorporating the displays outside the US to avoid paying higher prices prompted by the dumping duties.

IBM, in an unusually strongly worded statement, said the ITC ruling and a related determination by the US Commerce Department was

"in effect an eviction notice from the US government to the fastest growing part of the US computer industry."

It went on: "We cannot see how this action could benefit anyone. It demonstrates that current US anti-dumping laws and procedures confound plain commonsense."

IBM has a joint manufacturing venture with Toshiba in Japan to build active matrix displays which it expects to be subject to the ITC ruling.

Active matrix displays offer higher resolution than previously available and the ability to display colour images.

US companies say there are no US producers of the displays suitable for use in computers. The only US producer makes versions for avionics applications.

Apple Computer said it had been unable to find a US-based source of active matrix displays when designing its soon-to-be-announced notebook and laptop computers.

"The ruling makes no sense," said Mr Jim Burger, Apple's senior trade counsel in Washington. US computer manufacturers would be penalised because they would be forced to pay higher prices for displays than their foreign competitors.

Apple may now be forced to implement contingency plans to make portable computers offshore, probably at its plant in Cork, Ireland.

An appeal against the ITC ruling could take as long as 18 months, said Mr Burger. Neither Apple nor IBM, both of which were late entering the laptop and notebook computer markets, could afford to wait that long.

The portable computer market is one of the few segments of the industry that has continued to grow strongly over the past year. Current market leaders include Toshiba and NEC of Japan as well as Compaq Computer and Tandy of the US. However the US companies do not yet use active matrix displays.

Indebted business stays away

By Kevin Brown in Sydney

Mr Christopher Shute, former chairman of Australia's largest public company, the National Australia Bank, has been declared bankrupt by a Sydney court.

Mr Shute, 52, was declared bankrupt after a series of legal battles with the bank, which he had joined in 1981.

Mr Shute was allowed to leave the bank after a hearing in 1989, but he has since been involved in a series of legal battles with the bank.

Mr Shute has been living on the island of Majorca.

UK NEWS

Norwich Union wins Guernsey health contract

By Richard Lapper

GUERNSEY authorities have reached agreement with Norwich Union, one of the UK's leading mutual insurers, on a private medical health insurance scheme to provide comprehensive cover for the island's 60,000 residents.

The scheme is the biggest single medical insurance contract in the country and represents an important coup for Norwich Union, which moved into the sector only last year. Mr Patrick Smith, the managing director of the NU Healthcare subsidiary, said the scheme was "a

major breakthrough in private medical insurance" and one of the largest ever underwritten by the NU group. Guernsey is a self-governing Crown dependency and not covered by the UK's National Health Service. About 30,000 of its people have no health insurance.

Under the scheme, details of which are still being negotiated, the Hampshire-based NU Healthcare will provide insurance allowing access to the island's general practitioners and other health facilities, as well as to Southampton General and other

hospitals in the Wessex area.

Guernsey will pay NU an annual premium which is expected to be "considerably in excess" of £10m, Mr Smith said.

The Guernsey authorities may perhaps levy a tax to pay for the scheme which "will obviously displace existing private schemes", according to Mr Smith.

The States of Guernsey Insurance Authority and the Board of Health put the plans for the provision of an insurance plan out to tender and chose NU from a shortlist of three

health insurers, which also included the British United Provident Association (Bupa) and Private Patients Plan (PPP), the dominant companies in the UK health insurance market, premiums from which are worth around £1bn a year.

NU is one of a number of commercial insurers (both Bupa and PPP are non-profit companies) to have entered the market in recent years, attracted by annual growth rates of around 15 per cent a year and the possible new opportunities for private provision created by NHS

reform. About 12 per cent of the UK population has private medical insurance.

Bupa, which has traditionally accounted for more than half of the health insurance market and whose name is sometimes seen as synonymous with private health, has seen its market share eroded slightly in recent years.

Even so, commercial insurers - which include Sun Alliance, MGI Prime and Cigna - still account for only about 11 per cent of total premium income.

Last year, with inflation pushing up the cost of claims, Bupa lost 683m.

The Guernsey scheme will dwarf the volume of NU's existing individual business, although the company has negotiated a number of group health care schemes with several large companies, including Scottish and Newcastle Breweries, Derbyshire Building Society and Asda.

Mr Smith said the Guernsey scheme was modelled on arrangements that are common in the US. It is unique in the UK.

Baker reopens Bentley case

CAMPAGNERS for a reform of Britain's criminal justice system were jubilant yesterday when the Home Office moved to tackle one of the greatest postwar legal controversies, Ivo Dawson writes.

After nearly four decades of protests, Mr Kenneth Baker, the home secretary, has now ordered the Metropolitan police to examine fresh evidence in the case of Derek Bentley, a mentally subnormal petty criminal hanged in 1953 for the murder of a police constable.

Bentley was convicted after the constable was shot dead by his 16-year-old accomplice, Christopher Craig, in a siege after a burglary in Croydon, south London. Although in police custody at the time, he was sentenced to death after allegedly shouting "Let him have it, Chris" as Craig was approached to give up his gun by a police officer.

In fresh evidence broadcast by Thames television last September, five witnesses disputed some of the facts of the case. At the time, Bentley's execution created storm of protest and is widely cited as a big contributory factor in parliament's subsequent vote to abandon the death penalty.

In spite of the reopening of the Bentley case, some campaigners remain sceptical about hopes that the government is determined to tackle controversial convictions.

Mr Ludovic Kennedy, the broadcaster celebrated for his pursuit of miscarriages of justice, said last night that while he was "surprised and delighted" by the move, pressure for results would continue to provoke some policemen to falsify evidence.

Many dubious convictions remained on the books, he claimed. "People say that 99 per cent of convictions are safe," Mr Kennedy added. "But if that is true, with a prison population of 40,000, that means 400 innocent people are wrongfully in jail."

Stock exchange ruling supported

THE London Stock Exchange is right to limit the amount of information published immediately after large stock market trades have been carried out, according to a report from two academics commissioned to advise the Department of Trade and Industry, Richard Waters writes.

However, there are improvements in the visibility of stock market trading that could be made without threatening the market, say Professor Julian Franks and Professor Stephen Schaefer of the London Business School, the report's authors.

The exchange's rule change this year to allow large trades to be kept hidden from the market for 90 minutes has been attacked by the Office of Fair Trading.

The conclusions of the report to the DTI, are contained in the latest edition of the exchange's quarterly *Quality of Markets Review*.

The two academics argue that immediate publication of large bargains, although benefiting small shareholders, would be bad for investors who wanted to deal in large amounts.

Quality of Markets Review, Summer 1991, LSE £16 (annual subscription: £35).

Brel pay deal

UNIONS representing 5,500 manual workers at Brel, the former engineering subsidiary of British Rail, have formally accepted a 4 per cent pay rise effective from April 8 this year.

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Confusing week brings bumper crop of figures

IT HAS BEEN a disappointing and somewhat confusing week.

Although packed with economic news, much of the data have been inconclusive. At worst, they have exposed government claims of imminent recovery as premature; at best, they have hinted that the worst of the recession is over.

With unemployment data due on Thursday, there was no hope of getting the bad news out of the way early. But the government still enthused over Monday's retail sales figures - revised upwards to show a bounce of 1.5 per cent in June shopping activity - and the production figures on Tuesday, which also showed an unexpected tick upwards in June manufacturing output.

Less attention was paid to Monday's credit figures, which revealed the timidity of UK consumers in the face of rising unemployment. They were not taking on more debt, but paying back bank loans, even though borrowing has become 4 percentage points cheaper since October.

Government claims that the worst of the year-long recession was over were disputed first by the Confederation of British Industry, then by the opposition, pressure groups and trades unions.

The CBI reminded the Treasury of its own dictum that too much should never be read into one month's figures; it predicted more falls in output in July and August.

Nevertheless, it had no quib-

Rachel Johnson looks at the bad and the good in the latest economic news

bles over the accompanying producer price indices. CBI surveys - accepted to fore-shadow changes in the official price indices produced by the CSO - have been showing the smallest number of manufacturing companies expecting to raise prices for 20 years. So although factory gate prices rose at an annual 5.9 per cent in July, after 5.8 per cent in June, the consensus was that underlying cost pressures were easing.

On Thursday, it appeared that only traders in the London stock market were taking seriously the government's claims that the recession was ending. The FT-SE 100 index had two sessions of record highs. Thursday's came in spite of a rise of a quarter of a percentage point in German interest rates - which may prolong difficulties in all European economies - and decidedly bleak economic news.

Unemployment registered its biggest post-Second World War seasonally adjusted July rise - 67,600; record numbers of houses were repossessed in the first half of the year - 35,610; capital spending by manufac-

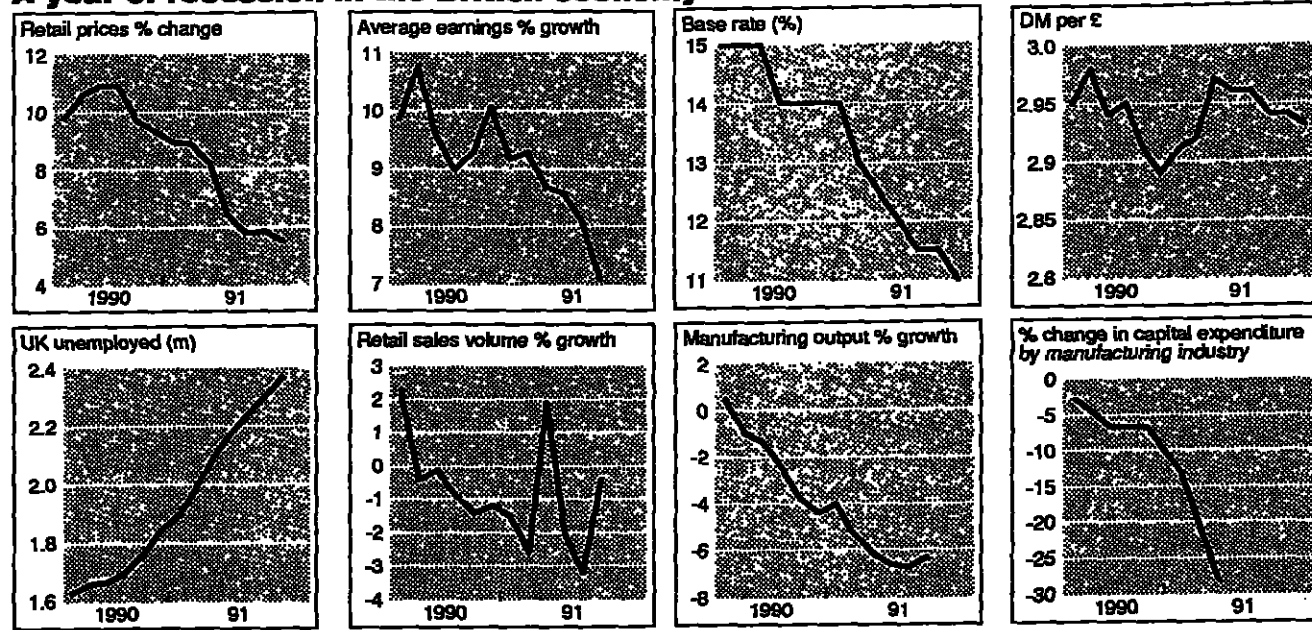
turing industry suffered its largest fall on record in the second quarter - 21 per cent. To cap it all, the Bank of England appeared to side with the business community and against the government in the recession-or-recovery debate. It said there was no clear evidence of an end to the recession. The economy was still bumping along the bottom, and it might take up to two years for interest rate cuts - and there were room for more - to wake consumers up.

Yet the government was able to finish the week on a more positive note. Inflation fell, as expected, to an annual 5.5 per cent in July. Combined with the fact that the rise in German rates was so small, that suggested that the next cut in UK rates was only a matter of time - or, rather, of politics. The markets expect one with October's Tory party conference.

Perhaps the best news of all was unannounced. The big worry is that consumption will not be strong enough to revive the expected recovery in output. Unemployment's rise and the fall in personal-sector wealth - via house prices and share prices - has severely depressed confidence.

However, the first signs that confidence may be growing appeared yesterday. Gallup's consumer confidence survey, conducted for the EC, showed a positive balance for the first time since 1988 of those who regarded now as a good time to make a big purchase.

A year of recession in the British economy



Recession halves debt payoff to £1bn

By Rachel Johnson, Economics Staff

THE government's first debt repayment of the financial year last month of £1bn was about half the amount expected, as a result of extra spending forced by recession.

The Central Statistical Office and the Treasury announced yesterday that the public-sector debt repayment (PSDR) in July was £560m, taking the borrowing requirement for the first four months of 1991-92 to £6.1bn.

That is over £3bn more than the government borrowed in April to July last year, mainly showing the extra spending on

unemployment's rise to 2.4m in July. More benefit payments were apparent in departmental spending of £17.5bn last month, a full £1bn more than expected by economists.

Low community charge receipts, after the Budget's cut in poll tax and delays in billing, also drove up spending, the CSO said.

The Budget's VAT increase to 17.5 per cent, meanwhile, would not be reflected in higher receipts until next month.

Revenue receipts, on the

other hand, held up well in July, a peak month for payments of corporation tax. Cash receipts from the Inland Revenue totalled £9.3bn last month, after £4.7bn in June.

Additional help of £1.2bn in privatisation proceeds came from the third instalment of the sale of the water companies.

Excluding those proceeds, the public-sector borrowing requirement (PSBR) was £9.7bn in the first four months of the year, compared with £4.3bn last year.

Economists said public-se-

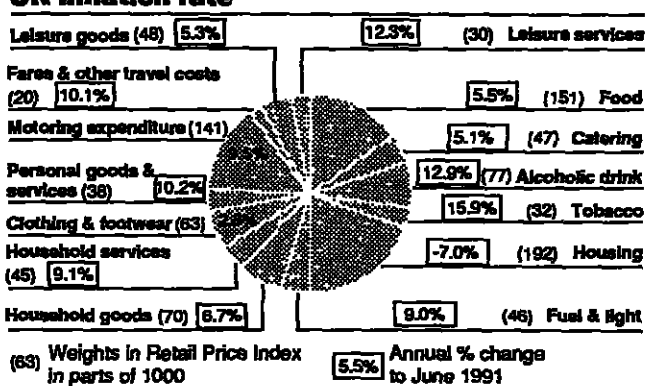
ctor finances were looking ragged. July's buoyant receipts were unlikely to boost finances over the year, as tax revenues had already fallen sharply as a result of lower company profits.

That implied that the government would be unlikely to overshoot the £9bn PSBR which it forecast for this year.

Mr Simon Briscoe, UK economist at Greenwell Montagu, said: "Unemployment and extra spending commitments are going to continue rising, while extra revenues won't."

Fall in meat and cheese prices helps to cut RPI

UK inflation rate



(63) Weights in Retail Price Index in parts of 1000

A LARGE fall in meat and cheese prices was among the driving forces behind the 0.2 per cent fall in the retail price index in July, the first month-on-month decline since December last year, Peter Marsh writes.

The fall in the RPI to 138.8 in July, from 139.1 in June, was helped by retail price-cutting on clothes, shoes and household goods.

Another factor was a reduction in July of an average of half a percentage point in mortgage interest rates.

Counteracting those changes was a 1.3 per cent rise last

month in motoring prices. That was largely linked to increased petrol prices, with the cost at the filling station of a gallon of 4-star fuel up to £2.28.

The changes took the annual rate of rise in the RPI to 5.5 per cent, down from 5.8 per cent in May and June. The headline inflation rate for August is expected to decline further, to about 4.5 per cent, on a possible further decline in mortgage costs and as last summer's sharp rise in petrol prices drops out of the index.

Cheaper meat and cheese appear to have resulted largely from food stores reacting to

oversupply, while lower demand may also have helped. The price reductions were mainly responsible for a 0.3 per cent fall in July in the prices of non-seasonal foods, which showed the first monthly decline since October 1985.

There was a decline of 6.9 per cent in prices of seasonal foods such as potatoes and other vegetables, roughly as had been expected.

Retail prices for clothes and shoes declined by 3.7 per cent over the month, as recession-hit shops mounted clearance sales in an effort to boost sales volumes.

Tit-for-tat Ulster murders continue

By Our Belfast Correspondent

PROTESTANT and Roman Catholic church leaders in Northern Ireland appealed for calm yesterday after one of the worst spells of terrorist violence in recent years.

The Ulster Freedom Fighters, an outlawed Protestant paramilitary group, claimed responsibility for murdering a Sinn Féin member near Killybegs, in County Londonderry, yesterday, the latest in a series of tit-for-tat sectarian killings in the province that has left eight people dead in the past week.

The UFF said the victim, named as Mr Thomas Donaghy, was an IRA commander responsible for numerous murders. It also warned of more attacks against what it called members of the Republican movement.

Mr Donaghy was released from prison three years ago after serving a term for arms offences, but his brother said he had severed all terrorist links.

Hours later, loyalist gunmen crossed the so-called peace line in the Shankill Road area of Belfast to kill a Catholic man, Mr Martin O'Prey, at his home in the Falls area.

Earlier, the IRA said it regretted the death of a man killed in west Belfast on Thursday night, during a bomb attack on security forces. The IRA also murdered a former member of the Ulster Defence Regiment in Tyrone on Thursday.

Cardinal Cahal Daly, leader of Ireland's 3.5m Catholics, said yesterday that the IRA was continuing its campaign merely to prove that it had the capacity to carry out shootings and bombings. He said the IRA knew its activities would not achieve political objectives.

Labour attacks claims on jobless

By Ivo Dawson, Political Correspondent

LABOUR yesterday ridiculed Tory claims that Britain's rising unemployment parallels similar increases elsewhere in Europe by pointing out that the rise in the UK is more than double that of all other EC countries together.

Tony Blair, shadow employment secretary, said EC unemployment figures provided a "stark and revealing contradiction" of government claims that the present recession is equally severe elsewhere in Europe.

He said yesterday: "They show Britain uniquely hit by unemployment and confirm

that this was indeed an avoidable recession - the result not of world events but of economic errors made in Downing Street."

According to Mr Blair, EC figures for the period from May 1990 to May this year show job losses in the UK increasing by 635,000, while the total for the six other EC countries where unemployment rose was 305,600, or less than half the British rise for the same period.

The remaining five EC members had suffered no increase in lost jobs.

Furthermore, Mr Blair said, without the UK's contribution

to the total, the unemployment rate in the EC as a whole would have dropped.

He said: "The truth is that on unemployment as an investment and growth, Britain under the Tories is bottom of the league."

The Labour onslaught comes in anticipation of a new Tory counter-offensive next week when Mr Michael Howard, the employment secretary, will attempt to refocus public attention away from the unemployment figures and on to Labour's links with the trade unions, particularly in relation to the selection of Labour parliamentary candidates.

Peru to pursue case against García

By Sally Bowen

PERU'S lower house of Congress voted on Thursday night to go ahead with a constitutional accusation against former president Mr Alan García for alleged corruption while in office.

The marathon seven-hour debate linked the question of Mr García's relationship with the Bank of Credit and Commerce International (BCCI) to other charges of personal enrichment that have been under investigation by a parliamentary committee for the past year.

Mr Fernando Olivera, the head of the committee, told deputies that they had enough evidence "to presume that García was involved in the placement of Peru's international reserves with the BCCI".

The vote in the Chamber of Deputies went against Mr García by 88-76. The chamber must now appoint a commission to prepare a formal accusation against him. That will then be debated by the senate, which could vote to lift the ex-president's parliamentary



THE BCCI SHUTDOWN

immunity and pass the case for trial.

"The first stage, as we were rather expecting, has been lost," said Mr Hugo Otero, one of Mr García's closest advisers. "But there's still a lot of water to flow under the bridge. This is clearly a manoeuvre to block Alan García's political future."

Meanwhile, the head of the separate senate commission investigating the 1986 decision to place up to \$270m of reserves with BCCI's Panama branch, has requested the arrest of two former central

bank officials, Leonel Figueroa and Hector Neyra, president and general manager respectively at the time the decision was made, have been named by the Mr Robert Morgenthau, Manhattan district attorney, as receiving \$3m in bribes from BCCI. Both have denied the allegations.

One Western economist said that state-owned and joint-owned banks would place 0.5 per cent of their dollar and Egyptian pound holdings at the bank either interest-free or below market rates.

Al-Ahram newspaper quoted an official source as saying that the banks had already deposited 0.25 per cent of their holdings, or about \$60m (\$35.5m), and would place the remainder soon.

The Central Bank of Egypt said earlier this week that

BCCI transferred more than two thirds of its deposits, or \$760m, to BCCI branches in London and Luxembourg before the closure in July.

Three men have been charged in Canada with laundering \$37m of drug money through the Vancouver branch of BCCI, after a three-year police investigation.

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Weekend August 17/August 18 1991

Nowhere to go but up

THE LEVERS of UK monetary policy may remain firmly in the hands of the Treasury, but the Bank of England now talks, even if it cannot act, like an independent central bank. Its latest quarterly bulletin does not contradict the chancellor's hopes for a recovery in the second half of this year, but it does not make a compelling case for believing him either. Moreover, it argues, even if the government were to try to engineer a pre-election boom, which governments are wont to seek and independent central banks are there to stop, it has already missed its chance.

The economy, the Bank concludes, is "bumping along the bottom" with "no tangible evidence" of a recovery. Only the balance of probabilities is in favour of a rise rather than a fall in output in the second half of this year.

The economic news was similarly bumpy this week. Manufacturing output rose in June, though by an almost imperceptible 0.2 per cent, while June's retail sales growth was revised upwards by 0.2 percentage points. Headline inflation fell again in July, to less than half its October peak of 10.9 per cent. Yet the progress on underlying inflation is far less dramatic. The government's favoured measure, excluding mortgage interest payments, rose by 6.8 per cent over the past year, the same annual rate as in April.

Meanwhile further increases in unemployment, and a steep fall in investment, provided further evidence of the depth of the recession. Only for the stock market does rising unemployment spell good news. It means higher productivity and profits when output recovers, and contributed to another record close in the nominal level of the FT-SE 100 index.

Little evidence

The timing of recovery is less important for the stock market, and so for profits, investment and growth, than the strength of the upturn. Here the evidence does not support the market's optimism. For while some sort of recovery is inevitable, sooner or later, the prospects for a robust recovery remain poor.

All the possible engines of economic growth — investment, exports, consumer spending — are suffering under unusually tight constraints.

The corporate sector is in financial deficit to a record degree. True, company profits have recovered in recent years from their lows of the 1970s, but companies appear likely to use higher profits to repay their debts more than to invest in new capital.

Nor will the world economy pull the UK out of recession, while the US economic recovery is sluggish, despite a higher-than-expected rise in US industrial output in July. And with sterling fixed in the European exchange rate mechanism, there will be no repeat of the exchange rate depreciation of 1982 and 1983.

So the prospects for growth rest with consumers. The recovery from both the 1974-75 and 1980-81 recessions occurred largely through a rise in consumption, sparked by a fall in savings as the increase in unemployment slowed, and also by higher borrowing for house purchase, which boosted spending on durables.

The underlying conditions for a fall in saving and a rise in borrowing do not look promising. Unemployment is still going up rapidly across all regions of the country, while the housing market remains depressed. Turnover is very low, with repossession rising.

Debt burden

The prospects for a housing-led recovery are exceptionally weak. As a multiple of earnings, house prices still remain a third above the trough reached in the last two recessions. Meanwhile, the debt burden for first-time buyers is very high. Real interest rates, which have no effect until well into next year. More important, consumers remain saddled by high levels of debt, which have not been inflated away by very high inflation rates as in 1974 and 1980. So consumers are taking advantage of the lower rates of interest to repay their debt, leaving spending and the demand for credit weak. Even dramatic cuts in interest rates, assuming the ERM would allow them, would now be most unlikely to fuel a pre-election upsurge after the shock that consumers have suffered over the last three years.

Yet interest rate cuts are the only pre-election weapon the government has. It is likely to take the opportunity for small cuts that the ERM will allow between now and June. Economically, the cuts should come as soon as possible; politically, the government may choose to delay, to maximise the political capital from each cut. With Labour ahead in the polls, the government needs all the help it can get.

A regular survey of living costs by PE International, management consultants, reckons that the British can all expect to put in about the same amount of work to earn the cash to pay for 250g of butter — around seven or eight minutes.

The EC findings were immediately seized on by supermarket critics, who claim that British food retailers enjoy profit margins up to four times higher than in Europe.

Britain's inflation rate has dipped again, perhaps soon falling below that of Germany. But it will take more than moderating price rises to convince the British they do not always pay the highest prices in Europe for everything from a cup of coffee to a car. To add to the national perception of hardship, Britons remain convinced they are also paid less.

The conventional image of a nation underpaid but overcharged has been given fresh impetus by suggestions that British shoppers face some of the highest real prices in Europe. The daily dribble of increases, pushing up the cost of a telephone call, a pint of beer or a summer bowl of strawberries, adds to the impression that living in the UK carries a costly premium.

There are plenty of examples to support the theory. The British may be expected to pay 20 or 30 per cent more for a British-made car than someone in the Netherlands buying the same model; a bottle of blended Scotch whisky costs £10.50 in Britain but only £9.10 in Italy; a kilo of flour costs 23p in Paris and 32p in London.

But for every item which appears to be more expensive when purchased in Britain, there is one which costs less than in continental Europe.

A video recorder bought on a British High Street may be up to one-third cheaper than anywhere else in the EC, courtesy of its UK-based Japanese makers. A quarterly gas bill for the average UK family home is likely to be the lowest in Europe while a telephone call to the US normally costs less than from the continent. French quality newspapers are generally more expensive and considerably thinner; most clothes and children's toys in Belgium can be twice as costly as in Britain.

Weaving through the minefield of exchange rates and purchasing power calculators, it appears the British have a lower half-way down any European league of living costs.

Figures from the Organisation for Economic Co-operation and Development suggest that the actual purchasing power of the British — a calculation which adjusts both for fluctuations in exchange rates and price differences between countries — has recently been higher than in several countries with better per capita gross domestic product. Austria, Belgium and Italy have been cited.

The International Labour Organisation's own surveys demonstrate that employees in the manufacturing sector in Holland, Germany and the UK can all expect to put in about the same amount of work to earn the cash to pay for 250g of butter — around seven or eight minutes.

A regular survey of living costs by PE International, management consultants, reckons that the British can all expect to put in about the same amount of work to earn the cash to pay for 250g of butter — around seven or eight minutes.

Michael Cassell looks into the truth about British prices

Pay now, moan later



home buyers often having to borrow a much higher multiple of earnings.

Most comparisons of average earnings across the Community also place Britain — where employees share with the Irish the privilege of working longer hours than anywhere else in Europe — somewhere in the middle. Department of Employment figures put British manual workers exactly half-way down the wages league, behind nations like Germany, Denmark and Belgium but ahead of others such as France, Spain and Italy.

The picture is the same for non-manual workers, though another survey claims that British managing directors are, despite the recent publicity surrounding some high salary increases, almost the worst-paid among 10 European nations.

Still, no statistics will put an end to suspicions that the British consumer gets a bad deal. A report last week from the European Commission suggesting that the cost of British food has risen by one-third since 1985, much more than in any other northern European country, added fuel to the flames.

The EC findings were immediately seized on by supermarket critics, who claim that British food retailers enjoy profit margins up to four times higher than in Europe.

The supermarkets reject the claims and prefer to highlight the quality and choice they offer. They cite very high land prices in the UK as an exceptional overhead in any comparison with Europe and point to their higher levels of imported — and more expensive — food products.

A Sainsbury's spokesman declared: "The British public is well aware how much it has benefited from the major supermarkets in the UK, which are among the most efficiently run organisations in the country."

This week also brought a renewed onslaught on the cost of water in Britain. A survey by analysts National Utility Services showed that prices of domestic tap water supplied by the newly-privatised industry have risen in the UK over the last year by three times the European average. Only Italy has raised prices by more.

But the same survey demonstrated that water charges were still significantly higher in Germany, Italy and France and that prices in Holland and Belgium were not far behind those in the UK.

The National Consumer Council says the water industry should pay for capital investment by more borrowing, instead of boosting bills to captive customers. The companies say charges will have to go on rising until the end of the 1990s.

raids and counter-raids between Shia resistance groups and the Israeli-backed South Lebanon Army which controls the "security zone" along the border. But in other respects Mr Lubrani's policy paid off. The Shia movement in Lebanon split and the larger part of it, Mr Nabih Berri's Amal, carried on Israel's half-finished work of destroying the Palestinian quasi-state based on the big refugee camps. Now that work is being completed by the reconstituted Lebanese army, with Syrian backing.

Also, Mr Lubrani has proved himself adept at the game of hostage-taking and bargaining. In spring 1985 the retreating Israeli forces took with them, in defiance of the Geneva Conventions, a large number of prisoners, both Palestinian and Lebanese, from the Sabra and Shatila camps in Beirut. Many of them were among 1,150 prisoners released shortly afterwards in exchange for three Israeli soldiers held by a Syrian-backed Palestinian group; a further 391, all Lebanese Shia, were released later in the summer after Mr Berri had secured the freedom of 39 passengers from a hijacked TWA airliner. Israel has always denied there was any deal in this case, but it is assumed that some kind of undertaking has been given to Amal, via the US.

In 1989 Mr Lubrani was credited with being the driving force behind the decision to seize Sheikh Abdul Karim Obeid, a prominent Palestinian Shia leader in South Lebanon, in an attempt to break the logjam over both western hostages and the remaining Israeli prisoners of war and missing in action in Lebanon. At the time the move appeared to have backfired, as negotiations got nowhere and one of the Shia groups announced the execution of an American hostage, Lt-Col William Higgins. In fact he had probably been killed some time earlier. But Mr Lubrani is a patient man. Now, when he is shortly to retire, he may be about to reap the fruits of his "investment".

so that EC standards are met. Transport costs in the UK are perhaps the most common target in any comparison of European living expenses. The Monopolies and Mergers Commission is investigating allegations that the British are forced to pay up to 50 per cent more for cars than customers elsewhere in Europe. Other studies, carried out on behalf of the manufacturers, claim there is little difference.

There is little argument that list prices of cars sold in the UK are, almost without exception, higher than elsewhere in Europe, but the trade says quoted prices in themselves are almost irrelevant. It claims the margin for haggling by customers is much greater in the UK than elsewhere. The British car buyer makes a 27 per cent contribution to the Exchequer, higher than anywhere but in Spain, but his motor insurance premiums will be among the lowest in Europe.

Rail fares are perhaps the biggest Aunt Sally of all, with British Rail charging some of the highest fares in the world. London commuters, according to a recent report from the Association of London Authorities, face the most expensive rail fares in Europe and a steadily declining service.

Although BR does not base its fares on mileage covered — preferring instead a system of selective pricing designed to maximise revenue from selected routes — the average fare per mile throughout Britain is now nearly 10p, higher than any of its European counterparts. The 113-mile journey from London to Birmingham costs £23 while the 126-mile trip from Brussels to Amsterdam is £15.

BR declines to accept that it charges the highest fares in Europe but, in its defence, points to the fact that it receives the lowest level of public subsidy.

In the home, the continuing controversy over British Telecom charges and profits is put into proper perspective by the OECD, which puts Britain exactly half way down a 24-nation table of telephone tariffs.

When it comes to utility prices, the average British home seems to get a fair deal, according to an independent analysis carried out by consultants Energy Advice.

Families can expect not only the lowest gas bills but, despite post-privatisation price rises of over 15 per cent — will still get their electricity for less than consumers in Germany, Italy or Belgium. A tonne of domestic coal, even after the summer discounts end, will be cheaper in Britain than anywhere in Europe except Spain.

According to PE International, there is evidence that, whatever the price variations across Europe, the gap in relative costs of living between nations has been closing. With moves towards the harmonisation of VAT, expanding membership of the exchange rate mechanism and completion of the single market, the levelling process should continue.

There is one expense Britons in search of a continental bargain cannot avoid. While most Europeans can pop across a border to check prices elsewhere, a ferry trip across the Channel from a British port will cost a family of four up to £150. If it is any consolation, it will cost the same for Europeans coming the other way.

Books and book-keeping

Antony Thorncroft on problems facing the new British Library

It's the new British Library, rising remorselessly behind the hoardings in London's Euston Road, a black hole eating up £450m of the taxpayers' money? Or is it a splendid national memorial to Margaret Thatcher, who, against her penny-pinching principles, always backed the project. Or is it an example of grandiose ambition which spiralled out of control?

Despite her public image, Mrs Thatcher was a soft touch on a personal level. The fact that the chairman of the committee which recommended a new "British Library" in 1989 was Fred Stantton, her old chemistry tutor at Oxford, probably persuaded her to keep the funding going when the initial government commitment of £116m seemed to be soaring towards £1bn.

In the end, fiscal restraints overcame sentiment and the original development, spreading over 12 acres of derelict railway land at St Pancras, was abandoned. The Treasury balked at the persistent financial haemorrhage and refused to fund the final stage of the development. When the new Library opens in 1996 it will be little more than half the size of its prototype, adding just 74 seats for readers and scholars to the 1,100 available in the reading rooms of the British Museum, and holding 10m books. In the original plan it was hoped to double the space for readers and to accommodate 18m books.

The trek down to St Pancras holds little attraction for the vociferous group of scholars and writers who have clubbed together to oppose the Library, with its soulless computerised book-delivery system. They want to stay under Panizzi's domed marvel in the old Reading Room where Marx wrote Das Kapital.

The delays and rising costs which have plagued the project, the most expensive public building in the UK in the past century, have played into the hands of its opponents. Last month, the mobile shelving system in the new Library developed faults which have delayed the arrival of books, although the first volumes to be transferred should still be moved later this year.

In addition, the runaway costs, and the limited advantages for users, the 20-year span of the project has seen a transformation in attitudes to public architecture. Architect Colin St John Wilson has come up with a building in which the business end — the storage of books — is hidden underground, and the facade, although unfashionably monumental, is at least surfaced with bricks.

But for many it is still too functional and utilitarian when set against the current vogue for user-friendly buildings designed on a human scale. And in a display of bureaucratic perversity, which sug-

gests that the government is fed up with the whole project, the minister for the arts, Mr Tim Bonton, has refused to provide the promised £1m which was to beautify the site with sculptures, tapestries and fine architectural fittings. It seems possible that the vast piazza which will separate the building from the noisy, cheerless Euston Road will lack artistic embellishment.

Mr Brian Lang, who recently took on the job of director of the Library after well-regarded stints at the National Heritage Fund and the National Trust, has inherited a botched compromise which he must sell as best he can. He puts on a brave face. "The nation has got a first-class building. We must make as efficient use of what we have as possible," he says. He hopes the slump in the property market will enable him to claw back the derelict six acres to the north of the site which was once earmarked for a reading room but which the government now hopes to sell to recoup some of its costs. "It would be an excellent spot for a book-binders, for photographic facilities and for an educational project."

Mr Lang believes that when the readers get their first glimpse of the new Library in 1996 their prejudices will be overcome. They will welcome the fact that 90 per cent of their requests for books will be met within an hour as against the delays of between two hours and three days which confront them in the old Library. They will appreciate the bringing together on one site of scholars and writers on the humanities, on science, on technology and on business, which have in the past been scattered among 17 places around London.

But the most persuasive case for the new Library is that it offers better conditions for keeping books. Thousands, especially those printed as most modern books are of paper containing acid, are disintegrating in the old Library. They will be more easily preserved in St Pancras. "Books will come to the readers quicker. And they will last longer," says Mr Lang.

It might seem that an awful lot of money has been spent to make life easier for the few hundred scholars and idlers who treat the Reading Room in the British Museum like a literary club. Of course, something much grander and uplifting was proposed 20 years ago. The new British Library was to be a statement of national pride and confidence, offering a late 20th-century monument that would set the seal on the London of the next millennium. In the end, the resources and the will failed. But having gone so far there seems little to be done but make the best of what has survived and to ensure that last-minute frustrations do not bequeath a meaner, more dispiriting structure than is necessary.

MAN IN THE NEWS

Uri Lubrani

Charmer at the heart of hostage talks

By Edward Mortimer



mission to airlift nearly 15,000 Ethiopian Jews from an Addis Ababa encircled by rebels). Having seen the Ethiopian monarchy "actually in the process of decay and crumbling," he says, he was well placed to recognise the symptoms of a similar process in Iran. "I was absolutely convinced that this could not continue indefinitely; this made my job rather easier than would be the job of other ambassadors because for me the question of it's going to happen didn't arise. It was when it's going to happen, and how. And I realised very early in my stay that the only organised infrastructure which had leeway to operate within the country with a lot of latitude was the religious community, because it had a mullah in every little village."

He discovered that Savak, the shah's secret police, paid a lot of attention to this problem, taking great trouble to infiltrate the religious establishment, and he believes that this may have rebounded against the regime, as the agents changed sides, bringing a cer-

tain modernism of outlook and technical expertise into the hitherto rather medieval religious hierarchy. Not that he equates the Shia of Lebanon schematically with the Shia of Iran. In fact he makes a racial, or linguistic, distinction between the two: "One shouldn't forget the Shia of Iran is an Aryan Shia, and the Lebanese Shia is a Semitic Shia. The people are of a different muddle down to earth, simple people. Religious indeed they are, but they want to live, and basically they want to let live."

Guided by this perception, Mr Lubrani came into office in 1983 as the leading exponent of a "Shia school" among Israeli policy-makers. The previous policy of building up Lebanon's Maronite Christians as Israel's allies was scrapped, and Israel sought to develop close relations with other Lebanese communities — the Druze and especially the Shia. One may guess, though he has never said so publicly, that if Mr Lubrani's advice had been sought a year earlier the invasion would never have occurred, or at least on nothing like the grand scale that it did. (Like many senior figures in Israel's foreign policy and security establishment, he is associated with the Labour opposition, having been an adviser to three Labour prime ministers including the founder of the state, David Ben Gurion.)

As it was, his success in unravelling the invasion's more disastrous consequences has been only partial. He was unable to avert either the bloody civil war between Druze and Maronites in the Shouf mountains in 1983 or the ugly war of harassment and reprisal between Israel and the Shia of South Lebanon which preceded and accompanied Israel's withdrawal in 1985. All his sophistication and savvy could not conceal the brutality of the "iron fist" policy with which Israel responded to suicide bombings and other guerrilla tactics used by the Shia against its retreating forces.

On a smaller scale this pattern has continued since, with

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The other Europeans on the move

The residents of what used to be communist eastern Europe are travelling to the west in search of a better life. FT writers talk to them about where they're going and what they're leaving behind

None who were there will forget that warm Sunday night of September 10 1989 at Hegyeshalom, the border crossing between Hungary and Austria.

The air was filled with the sound of corks popping from bottles of champagne. Thousands of young east Germans, some pushing their spluttering Trabant, were almost lost for words. Many were sobbing. Others were embracing the border guards. That was the night that the Hungarian government decided to allow thousands of young east Germans to cross into Austria, and on to west Germany. The Iron Curtain had been breached.

It was that spectacular mass movement of people from east Germany: via Hungary, that precipitated the end of the communist regime throughout eastern Europe and the crumbling of the Berlin Wall. Western governments and public opinion joined together to welcome the new Europeans.

But the euphoria has since given way to anxiety. Now that citizens from the Soviet Union and eastern Europe are allowed to travel, western governments fear an influx of such massive proportions that the urge to erect new barriers - this time from the western side - will be increasingly difficult to contain.

No western government is willing to predict how many of the new Europeans will want to leave their homelands to settle in the west. Estimates released during a conference on migration, organised by the Council of Europe in Vienna earlier this year, mentioned about 2m. A Soviet official said he expected between 1.5m and 2m to emigrate each year in the next couple of years. But not all want to migrate westwards.

"I used to dream about travelling to Paris. I read about the Louvre, the Eiffel Tower, the

Left Bank, and the Pompidou Centre. Now I am here," said Václav, a 22-year-old student studying history at the Charles University in Prague, who is visiting Paris. "We can all travel now. Of course I will return home."

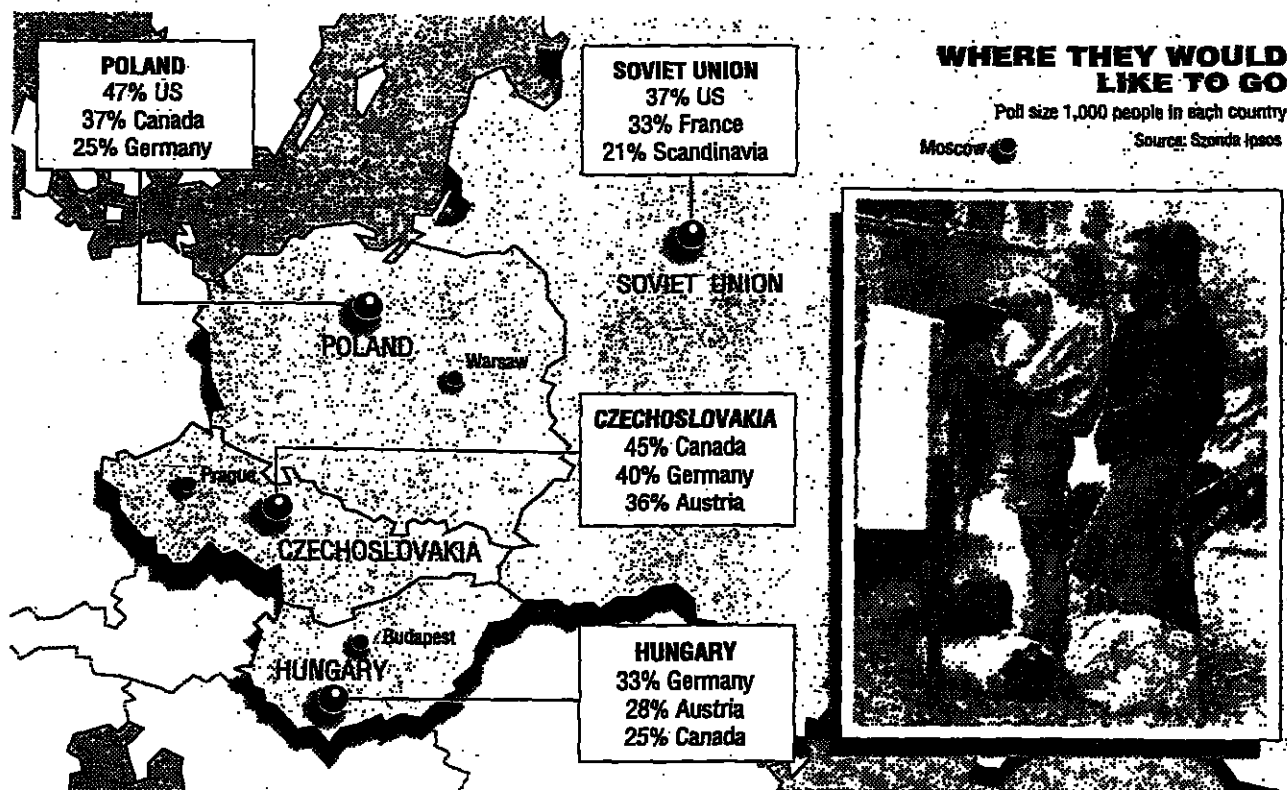
Every day during the long summer months, there is a line of ageing east European buses parked between the big west-coaches along the Rue de Rivoli beside the Louvre, or in the parks beneath the Eiffel Tower and the roads that criss-cross the Bois de Boulogne.

Most of the easterners, like Jaroslav and Tomas, electrical engineering students from Prague, are visiting for a few weeks. The two 20-year-olds paid 500 crowns (\$16.5) each to get to Paris by bus. "That's a lot of money for us students, though not for most Czechoslovak adults," said Jaroslav.

They brought cans of food with them, so they only have to buy drinks and fresh fruit and vegetables. They sleep on the floor of a friend's apartment, so they avoid living rough. After a week in Paris, they plan to hitch-hike to the south of France, and then home again by the beginning

'It is as if we are not worthy to be considered part of the new Europe,' said Anca

of October. Not all the visitors go home after three months. Some young east Europeans find jobs in the black economy in France - working mainly on building sites, or painting and decorating. Concerns have been raised about employers paying these young people well below the market rate and providing no insurance against accidents or sickness.



WHERE THEY WOULD LIKE TO GO
Poll size 1,000 people in each country
Source: Szondi Press



Nevertheless, the visitors to Paris are the lucky ones: they generally come from Poland, Czechoslovakia, and Hungary. France, like Germany and Austria, has lifted all visa requirements for the citizens of central Europe, but not for those of south-eastern Europe, the Romanians, Bulgarians, Albanians and Yugoslavs.

"It is as if we are not worthy to be considered part of the new Europe," said Anca, a 23-year-old chemist from Bucharest, who managed to obtain a visa to visit London.

My name is Ion. I am 28 years old. I come from Romania. I do not want to return home because I am a gypsy. At least under the Ceausescu regime, we were not spat upon. Now we are outcasts in the new democracy.

Ion explained how the end of the hated Ceausescu regime in Romania in December 1989 had unleashed decades of suppressed hatred and xenophobia, which today is directed against the Jews, the gypsies and the ethnic Hungarians.

There is no place for me in the new Romania," he said. "Like thousands of other Romanians, Ion has been trying to seek permission to settle in the west. At first, he tried to go to Hungary in order to cross into Austria. But the Austrian border guards sent him back into Hungary. He tried to obtain a visa from the German embassy in Budapest, but he was refused. He has now joined the horde of other Romanians in Poland, which does not require visas.

This is how a Polish television report described the new visitors to Warsaw: "At the beginning, they lived only within the train station buildings. Now, adults and children can be found everywhere, even in the most out-of-the-way corners of the capital. They lie on the pavements. They beg. They are the refugees from Romania. There are already 35,000 of them. In some, they arouse sympathy, in others anger or embarrassment. Should they be helped and how? It is with great anxiety that we are observing this phenomenon on our streets and in our stations."

The guards at Cerveny Ujezd, a village 100 kilometres north of Prague, stand by the gates, refusing to let outsiders in. Cerveny Ujezd is one of five refugee camps set up at the end of last year by the Czechoslovak authorities in an effort to cope with the growing numbers of people from the Soviet Union and the Balkan countries who are seeking refuge or attempting to use the country as a transit point to the west.

This particular camp, once a base for the Soviet army, houses between 150 and 300 people. The sounds of Romanian children playing echo behind the high metal wall. Like their parents, they are waiting to be repatriated.

Ms Michaela Freilova, the federal government commissioner for refugees, said most of the refugees come from Romania (about 500), Bulgaria (300), and the Soviet Union (150). In June, a total of 226 refugees, mostly Romanians, were deported, though the figure varies from month to month. Mr Jan Ruml, the deputy interior minister, said they

hatched ship which sailed from the port of Bari in southern Italy. Once in Bari, he roamed the back streets for several days, evading the police, and relying on the goodwill of the locals. Now he is a waiter in Brindisi, although he has an engineering degree from Tirana University.

"We are economic refugees. There are no prospects at home. There is no food, no jobs, and no money. We want a taste of the good life as well. It will take years to modernise the Albanian economy. I did not want to wait that long." Shani, aged 28, has no intentions of returning home.

Hungarians remain deeply attached to their homeland. But a section of the population, particularly the scientific community, is becoming increasingly impatient with the low wages, and the cuts in research grants. The temptation to work abroad is increasing. It could lead to a brain drain.

Peter Zavadsky is the department head at the Institute of Enzymology in Budapest. Until recently, he worked for part of the year in Regensburg, Germany. "What is most important to me is to be part of the international network of science," he said, adding that the technical facilities and material benefits were far better in the west. In the west, a university professor can earn DM80,000 (\$46,242) a year; in Hungary, Ft500,000 (\$6,756). Mr Zavadsky is not worried.

Western governments fear the influx will be increasingly difficult to contain

that Hungarian researchers will remain abroad. "Most of them would like to return, but only if they could get the funds. If the situation will not improve, they might not come home," he said.

"We are caught in a catch 22," said Josef Kovac, a 30-year-old mechanic from Bratislava. "How can I get experience in management if western countries do not give us work permits? How can I import parts,

if I am not allowed to earn hard currency abroad? Do we have to spend our vacation in the west working in the black economy, always worrying about being caught?"

Alois Baumrucker, 25, is also a mechanic. But he is more upbeat because he has a success story to tell. "I worked in Germany illegally for a month. It is one of the few ways to establish business contacts." Since his return, Alois has set up his own private firm, repairing Japanese cars. Many of his clients come from his former German employer who now sends him cars because labour costs in Czechoslovakia are way below German rates.

Every government in the EC agrees there is a need for a common approach towards immigration. At the Luxembourg summit in June, Mr John Major warned his colleagues that failure to control illegal immigrants would play into the hands of the extreme political right.

Chancellor Helmut Kohl predicted "a catastrophe" if the EC did not come up with a common immigration policy by the autumn. An External Frontiers Convention is under discussion. It would make all non-EC nationals entering the EC after 1992 subject to the same checks and visa policies, strengthening frontiers as a precondition for scrapping internal EC borders under the Single European Act.

Work on a parallel Convention on Asylum is also taking place. But these two conventions do not address the problems of the so-called economic migrants predicted from North Africa and eastern Europe.

What makes immigration a common problem is the drive towards a border-free EC which is supposed to culminate in 1993.

"I am not very optimistic about 1992," said Anca. "I fear we will remain second-class citizens. That is what we were under the communists. Will western governments not give us back our dignity?"

By Judy Dempsey in London, with Leslie Collis in Berlin, Nicholas Denon in Budapest, David Gardner in Brussels, Ariane Genilland in Prague, Kevin Hope in Athens, Alison Maitland in Paris and John Caveney in London

To technologists at least, 1981 was notable for the opening of the world's longest suspension bridge, the commissioning of the world's largest nuclear electricity-generating plant and the launch of the IBM personal computer (pc).

Of the three, however, it seems only the IBM pc can now justify the distinction of a 10th anniversary celebration for its role in changing the world.

Neither the first pc nor the best, the IBM pc gave legitimacy to a market which, until then, had been the sole preserve of electronics hobbyists and computer buffs. Now there are now some 120m pc users worldwide and the pc business has grown into an industry worth some \$90bn a year.

Pcs have become ubiquitous in business. Insurance agents carry portable machines to calculate premiums and yields on the spot. The print industry has been revolutionised by the combination of pc with laser printer making possible prepress make-up at a fraction of the cost of traditional methods.

Typewriters have largely given way to pc running word processing software. Less obviously, a vast array of common business machines from cash registers to facsimile machines are now little more than pc camouflaged within special cabinets.

In politics, ministers have made their names shoeorning pcs into schools. Some that glimpse democracy by the urgent need within eastern Europe to have access to western pc technology as part of the essential information infrastructure of modern commerce.

The machines have continued to justify their description as "personal" in terms of price. They have

become commodity items, available in high street shops and by mail order.

A basic, but adequate, system can be bought for less than £1,000. Machines for playing games of staggering complexity can be bought for much less.

Extravagant claims were made for the pc at its birth. It was described as the most important business tool since the telephone, the key to a revolution in home automation, a way of expanding human intellectual abilities.

Ten years on, to what extent has it fulfilled its early promise? Has the pc proved a blessing or a curse to humanity? In common with so many technologies, from nuclear power to genetic manipulation, the answer is something of both. But what is most remarkable, perhaps, is how quickly the pc has become accepted as the building block of the information revolution.

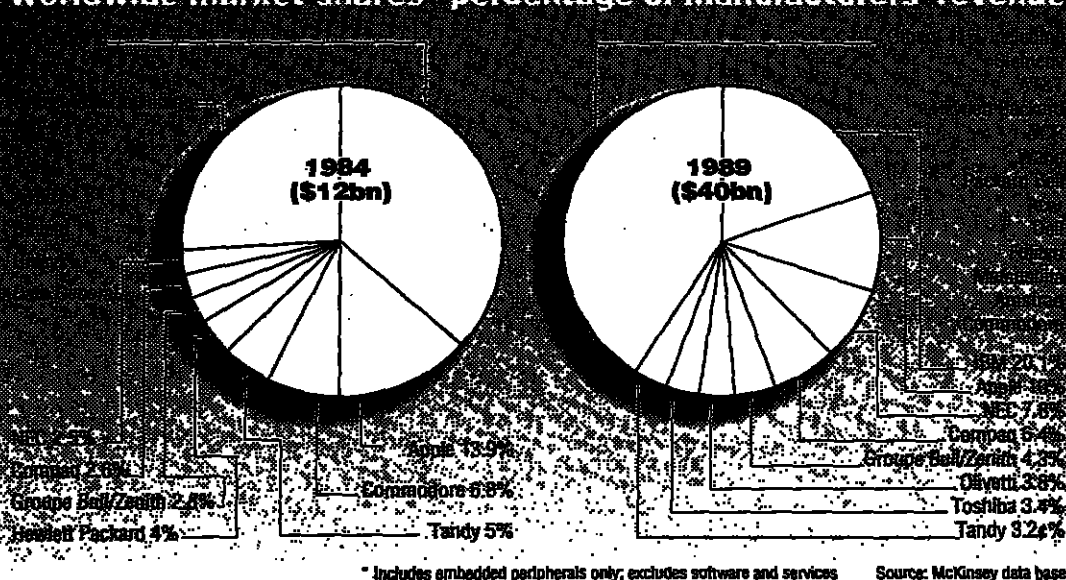
Over the past decade, a rich library of texts dealing with the exploitation of information technology for business advantage has emerged. All assume the easy availability of pc and pc networks. Pcs have ceased to excite awe or astonishment. They have replaced the "dumb" terminal - a screen and keyboard without computing power - as the accepted way for humans to communicate with computers.

With so many aspects of modern life now underpinned by computer systems, the so-called "human-machine interface" has assumed a new

IBM's personal computer is 10 years old. Alan Cane assesses its impact

The technological tool for our times

PERSONAL COMPUTERS
Worldwide market shares* percentage of manufacturers' revenue



importance. There is little evidence, however, that lay people have been allowed much say in the way that interface has developed. The physical design of the pc, the way in which information is presented on the screen, the manner in which instructions are delivered to all machines - all rest on computer experts' ideas of how people should interact with machines.

The result is that some computer users are already paying a heavy price. Upper limb disorders, more commonly known as repetitive strain injuries or RSI, have become common where pcs are used intensively for word processing. Some believe that with increasing penetration of pc, RSI is set to become the world's commonest industrial disease. It has led to an acceleration of research into ways of controlling pcs which do not involve keyboards.

Voice recognition is an obvious answer, but still riddled with technological drawbacks. What most people will have to come to terms with is the graphical user interface - sets of pictures on the screen denoting functions from which particular

commands can be chosen. Organisations including IBM are already working on psychologically acceptable images. In time, it may be possible to programme pcs by manipulating pictures on the screen.

Business is also having to come to terms with complex problems that were only dimly perceived in the early days of the pc. Security, for example. With the growth of pc networks, companies are increasingly vulnerable to attack from those intent on fraud, revenge or damage. Computer "viruses" have become common. A new industry has grown up around the need to safeguard company computer networks against intruders.

Little of this was imagined in the 1980s even if the idea of pc power is as old as computing itself. Researchers then envisaged executives sitting at multifunction workstations which would combine telephone, television, typewriter, computer, filing system, facsimile machine and communications in a single package. The technology for such a device was available then and is hardly available now, at least, not at an economic price.

To the surprise of the computer industry, its customers began to use pcs as if they were workstations; surprise, because so many computer companies failed to realise the importance of what was happening under their noses. Yet there was little similarity between the workstation of computer engineers' dreams and the

commercially-available pc. Pcs were, and are, underpowered, difficult to use and unforgiving in the face of errors.

On the other hand, they cost very little and can run a spreadsheet, maintain a database and provide word processing - all facilities which helped to make executives independent of their company data centre. They were prepared to put up with the shortcomings of the machines for these advantages.

Now, after a decade of progress, the machinery is becoming impressively powerful. The latest microprocessors are fast enough to model the real world on the screen.

Nevertheless, the pc business today is slowing sharply; a consequence of market saturation and a dearth of new applications. Sales of the early pc were stimulated by programs such as Lotus 1-2-3 and Ashton Tates' Dbase filing systems which filled easily recognised business needs. Now the industry is waiting for a new breakthrough in software to create new applications which will regenerate demand.

People such as Mr Bill Gates, chairman of Microsoft, the most important software company in the pc business, argue that the future of personal computing lies with what is called "multimedia" - the ability to combine text, video images, computation, sound and graphics. Computers already exist which can combine moving television image and a computer-generated picture on the same screen.

Imagine an electronic encyclopedia which illustrates, say, the first moon landing with sound, pictures and text. Most important, the user will be able to interact with the information on the screen. Time perhaps, then, for pc users to have a say in how they want to communicate with their machines.

Support for share shops and a taxing point

From PH Twyman.
Sir, Your leader, "Share shops on the cheap" (August 13), was a rather churlish response to an ingenious proposal by financial secretary, Mr Francis Maude, designed to promote wider and deeper share ownership.

A network of high street share shops, supported by an intensive marketing effort, stands a good chance of persuading people to overcome their reluctance to buy and sell shares - surely a good thing.

For those of us who already form part of the share holding community, we can benefit in other ways. The Treasury intends to allow clients of financial intermediaries and providers of share dealing services (whether or not they are FT share shops) to register and receive exactly the same preferences and incentives as those using the share shops. This seems reasonable and scarcely smacks of the cartelised practices of Japan to which you refer. Traditional

routes for share dealing are being treated perfectly fairly. P H Twyman, 129 Mims Road, Bournemouth, Kent

From Mr Brian MacMahon.
Sir, Your editorial on share states that the Treasury will provide a "near-£12bn subsidy for collective investment in occupational pension schemes". My aim in writing is to show the other side of the coin. The government's actual 1987 survey showed that £13.1bn of taxable pensions were paid; his next survey will show a figure closer to £20bn. Tax on these pensions will go on being paid long after tax relieved contributions have ceased. Much of the tax relief granted to pension fund savings is tax deferred, not tax exemption. Brian MacMahon, chairman, National Association of Pension Funds, 12-18 Grosvenor Gardens, London SW1W 0DE

Regulation no auditing panacea

From Mr Nick Gibb.
Sir, I was astonished by the article by High Aldous and Hoeselinge Hamedani ("BCCI collapse: auditing at the crossroads", August 15) which suggests that the collapse of BCCI means we need a regulatory authority for UK auditors. What makes them think that regulation by the state is more efficient than audit by respected firms of auditors?

Accounting firms are continually updating their procedures in order to maintain reputations in the fiercely competitive auditing market. By contrast, the state sector is very often inefficient, unresponsive to change and lethargic when it comes to dealing with its customers. In a free country there will always be companies and banks which collapse; in any country there will always be incompetence. But you do not

minimise these by more state regulation. If anything, the BCCI affair reveals the contrary. Nick Gibb, prospective parliamentary candidate, Stoke-on-Trent Central Conservative Association, Cinder Hill Estate, Weston Coyney Road, Longton, Stoke-on-Trent

Become a typ(e)ical MBA

From Mr John Raymond.
Sir, Mr Tim Redpath (Letters, August 16) will probably develop his mind by writing his MBA dissertation and will end up with an impressive qualification to prove it, but I doubt it will directly make him much more effective in his job. Something which would bring immediate practical benefits would be if he learned to

Peps for the next generation

From Mr J Elliott Foley.
Sir, Mr M J Chestham (Letters, August 10) feels that it is pointless to invest in an accumulating personal equity plan. I have always felt that I should try to leave my children the inflation-adjusted equivalent of what my parents left me. I regard the rest of my capital as my own money

which I have saved, and I feel free to spend it on self-indulgences like expensive holidays. With the advent of personal equity plans, it has become easier and quicker to accumulate a lump sum, so I am investing in the annual permitted maximum in an accumulating Pep, specifically with the next generation in mind. If I am clever enough to get the timing right, when I turn up my toes I will have exhausted my "free" capital but will have a healthy Pep to pass on. J Elliott Foley, 96 Disraeli Road, Putney, London SW15 3DN

Fax service
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Return to traditional family will not meet realities of 21st century

From Ms Anna Ellison.
Sir, In arguing for a return to the traditional family and life-long marriage, Professor Halsey (Personal View, August 12) gives insufficient weight to the lasting nature of some aspects of social change and distorts the reasons for it.

Marriage as an institution has, historically, ensured that wealth passed through the male line from generation to generation. Its longevity as the dominant model for the rearing of children owes less to its efficiency or otherwise than the fact that, with no other means of financial support and little control over the reproductive process, women had no other viable option. By asserting that adults opting for consumables over babies because of a supposed new selfishness Halsey ignores the fact that nine out of ten women continue to have children. Women are in fact having fewer children and deferring and compressing the child-rearing years, arguably a positive move for the quality of care. Finally, the problems associated with children of

divorced and single parents are a function not of any intrinsic inadequacy of new forms of parenting but of these families' relative poverty.

The social and educational disadvantages of such children reflect a society in transition in which planning for the support of the next generation remains rooted in the past rather than the emerging future. The patterns of change in family formation are a consequence of the gradual erosion since the 1960s of women's dependence on men and the paradigm shift in the attitudes of both sexes to women's role in society, unlikely to be reversed.

The challenge is to recognise that in the 21st century multiple forms of parenting will co-exist alongside life-long marriage. A coherent policy is needed that does not squander the potential of that proportion of children who will grow up outside the traditional family. Anna Ellison, 6 Manor Gardens, Larkhall Rise, London SW4 6JZ

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS		Friday August 16 1991										Highs and Lows Index										
Figures in parentheses show number of stocks per section		Index	Day's Change	Est. Value (Mill)	Gross Yield (Yield)	Est. Div. Yield (Yield)	Est. Div. Yield (Yield)	Est. Div. Yield (Yield)	Est. Div. Yield (Yield)	Est. Div. Yield (Yield)	Index	Index	Index	Index	High	Low	High	Low	High	Low		
1	CAPITAL GOODS (C14)	1078.19	+0.2	9.92	3.67	12.44	23.39	849.98	839.09	829.04	778.08	890.04	15.73	675.31	16.1	1038.07	16.7	10.7	13.12/74	30.71	13.12/74	
2	Building Materials (C24)	1873.73	+0.3	8.54	5.74	14.86	31.82	1075.39	1058.55	1048.85	989.98	1167.75	14.93	911.64	16.1	1381.08	16.7	14.7	12.12/74	44.27	12.12/74	
3	Contracting, Construction (C3)	1155.98	-0.1	9.52	6.75	13.88	32.68	1157.51	1144.14	1133.67	1064.71	1438.66	15.73	1051.83	23.1	1951.50	16.7	17.48	12.12/74	71.48	12.12/74	
4	Electricals (C11)	2463.74	+0.1	16.40	5.42	12.54	63.95	2464.50	2444.63	2431.36	2219.28	2495.28	3.14	1478.08	16.1	2388.22	16.7	19.91	12.12/74	19.91	12.12/74	
5	Electronics (C25)	1740.43	-0.1	8.64	5.18	14.87	46.40	1742.65	1717.57	1707.30	1613.83	1958.19	15.73	1478.08	16.1	2388.22	16.7	19.91	12.12/74	19.91	12.12/74	
6	Engineering-Aerospace (C1)	423.96	-0.1	16.12	5.92	7.44	12.11	424.44	421.76	414.21	432.98	469.23	9.14	380.48	16.1	502.12	16.7	50.48	16.1/71	50.48	16.1/71	
7	Engineering-General (C43)	470.57	-0.3	11.33	5.43	10.23	23.13	468.98	461.07	455.49	431.11	470.57	16.8	339.57	23.1	505.10	16.7	50.48	16.1/71	50.48	16.1/71	
8	Electricals (C11)	2463.74	+0.1	16.40	5.42	12.54	63.95	2464.50	2444.63	2431.36	2219.28	2495.28	3.14	1478.08	16.1	2388.22	16.7	19.91	12.12/74	19.91	12.12/74	
9	Motors (C12)	356.58	-0.6	9.21	6.74	13.38	12.13	358.78	355.95	350.83	312.29	340.54	14.93	260.43	16.1	381.44	16.7	38.14	16.1/71	38.14	16.1/71	
10	Other Industrial Materials (C20)	1642.51	+0.8	8.47	4.99	13.99	36.42	1628.19	1609.82	1594.11	1386.48	1642.51	16.8	1147.76	16.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
11	Process and Distillation (C2)	1188.18	-0.7	5.21	14.96	34.70	1086.34	1085.94	1084.38	1072.67	1086.74	1188.18	16.8	1078.24	23.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
12	Food Manufacturing (C19)	1219.77	-0.7	9.41	4.06	13.12	24.86	1211.21	1206.36	1200.63	1127.77	1219.77	16.8	1078.24	23.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
13	Food Retailing (C17)	2679.51	+1.2	8.03	3.11	16.29	44.38	2648.22	2641.96	2634.36	2403.64	2679.51	16.8	2259.53	2.1	2654.1	16.7	54.25	11.12/74	54.25	11.12/74	
14	Health and Household (C22)	3686.26	-0.2	5.25	2.35	22.69	33.13	3685.94	3682.80	3672.80	3327.70	3686.26	16.8	2654.1	16.1	3686.26	16.7	17.38	28.5/80	17.38	28.5/80	
15	Hotels and Leisure (C23)	1343.30	-0.7	8.80	3.11	16.29	44.38	1343.30	1343.30	1343.30	1343.30	1343.30	16.8	1078.24	23.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
16	Media (C26)	1473.22	-0.5	7.49	4.82	17.39	38.58	1465.28	1446.34	1437.57	1352.01	1473.22	16.8	1147.76	16.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
17	Packaging, Paper & Printing (C7)	757.54	+0.4	7.43	4.35	16.25	15.40	754.87	751.35	744.09	742.02	757.54	16.8	686.96	16.1	757.54	16.7	43.6	6.1/75	43.6	6.1/75	
18	Stores (C32)	1009.18	-0.2	7.59	3.68	17.27	37.12	1008.70	1000.43	984.95	765.92	1009.18	16.8	766.89	23.1	1147.76	16.7	52.63	6.1/75	52.63	6.1/75	
19	Textiles (C33)	167.34	-0.2	1.27	1.53	16.22	14.99	167.09	166.48	165.85	161.82	167.34	16.8	161.82	16.1	167.34	16.7	16.73	16.1/71	16.73	16.1/71	
20	OTHER GROUPS (C19)	1281.41	-0.2	9.62	10.26	12.36	31.65	1279.30	1272.33	1264.62	1203.48	1281.41	16.8	1078.24	23.1	1882.53	16.7	18.82	16.1/71	18.82	16.1/71	
21	Business Services (C12)	1398.03	+1.0	7.72	4.64	16.02	29.77	1393.53	1385.73	1374.61	1301.03	1398.03	16.8	892.26	1.2	1398.03	16.7	892.26	1.2/74	892.26	1.2/74	
22	Chemicals (C21)	1455.22	-0.1	7.01	4.95	17.60	45.88	1454.05	1444.88	1438.38	1307.00	1455.22	16.8	1004.01	16.1	1454.05	16.7	71.20	11.12/74	71.20	11.12/74	
23	Conglomerates (C10)	1510.20	-0.4	8.34	4.94	16.04	33.14	1504.01	1491.43	1481.17	1404.34	1510.20	16.8	1217.37	16.1	1510.20	16.7	1510.20	16.1/71	1510.20	16.1/71	
24	Transport (C31)	2281.78	-0.5	8.27	4.67	16.98	50.50	2280.92	2274.10	2261.79	2031.81	2281.78	16.8	1730.87	23.1	2280.92	16.7	22.80	29.6/82	22.80	29.6/82	
25	Electricity (C16)	1225.09	+0.6	14.29	6.30	18.94	44.10	1223.38	1213.58	1204.00	1120.49	1225.09	16.8	994.36	7.1	1225.09	16.7	994.36	7.1/71	994.36	7.1/71	
26	Telecommunications (C1)	1528.75	-0.1	9.66	5.98	13.25	28.34	1526.79	1522.89	1512.97	1449.98	1528.75	16.8	1085.95	16.1	1528.75	16.7	517.92	30.1/84	517.92	30.1/84	
27	Water (C10)	2419.18	+0.1	14.19	6.30	18.94	44.10	2417.18	2407.18	2397.18	2253.12	2419.18	16.8	1730.87	23.1	2280.92	16.7	22.80	29.6/82	22.80	29.6/82	
28	Miscellaneous (C23)	2026.94	-0.3	5.99	5.76	21.63	47.89	2025.12	2018.12	2008.12	1928.12	2026.94	16.8	1730.87	23.1	2280.92	16.7	22.80	29.6/82	22.80	29.6/82	
29	INDUSTRIAL GROUP (A8)	1293.26	-0.2	8.63	4.42	14.35	28.00	1290.51	1282.56	1270.56	1095.72	1293.26	16.8	991.97	16.1	1293.26	16.7	59.01	13.12/74	59.01	13.12/74	
30	Oil & Gas (C20)	2412.54	-0.1	10.84	5.71	12.17	77.74	2415.34	2407.34	2392.34	2129.42	2412.54	16.8	2101.45	23.1	2412.54	16.7	2412.54	16.1/71	2412.54	16.1/71	
31	FINANCIAL SHARE INDEX (S00)	1389.67	-0.2	8.90	4.58	14.04	31.95	1387.28	1380.73	1370.73	1274.43	1389.67	16.8	1092.04	16.1	1389.67	16.7	63.49	13.12/74	63.49	13.12/74	
32	FINANCIAL SHARE INDEX (S2)	837.30	+0.3	5.04	-	-	26.77	834.73	827.97	821.33	725.09	839.94	15.73	667.36	16.1	896.67	16.7	10.68	13.12/74	55.88	13.12/74	
33	Banks (C1)	880.03	+0.9	4.35	4.44	43.33	36.83	877.20	869.33	862.33	769.87	880.03	16.8	695.08	15.7	880.03	16.7	62.44	12.12/74	62.44	12.12/74	
34	Insurance - Life (C7)	1610.96	-0.2	5.15	-	-	-	1610.96	1610.96	1610.96	1610.96	1610.96	16.8	1610.96	16.1	1610.96	16.7	1610.96	16.1/71	1610.96	16.1/71	
35	Insurance - Composites (C6)	1610.96	-0.2	5.15	-	-	-	1610.96	1610.96	1610.96	1610.96	1610.96	16.8	1610.96	16.1	1610.96	16.7	1610.96	16.1/71	1610.96	16.1/71	
36	Insurance - Brokers (C7)	1610.96	-0.2	5.15	-	-	-	1610.96	1610.96	1610.96	1610.96	1610.96	16.8	1610.96	16.1	1610.96	16.7	1610.96	16.1/71	1610.96	16.1/71	
37	Insurance - Brokers (C7)	1610.96	-0.2	5.15	-	-	-	1610.96	1610.96	1610.96	1610.96	1610.96	16.8	1610.96	16.1	1610.96	16.7	1610.96	16.1/71	1610.96	16.1/71	
38	Merchant Banks (C7)	440.99	+0.2	-	-	4.75	12.16	440.26	436.35	431.95	424.47	440.99	16.8	372.70	16.1	440.99	16.7	37.27	11.12/74	37.27	11.12/74	
39	Financial Services (C1)	1610.96	-0.2	5.15	-	-	-	1610.96	1610.96	1610.96	1610.96	1610.96	16.8	1610.96	16.1	1610.96	16.7	1610.96	16.1/71	1610.96	16.1/71	
40	Other Financial (C1)	255.88	-0.3	11.22	7.98	11.16	19.79	255.10	252.55	250.25	238.63	255.88	15.73	226.37	16.1	255.88	16.7	22.63	12.12/74	22.63	12.12/74	
71	Investment Trusts (C7)	1231.79	-0.1	-	-	3.49	-	1232.10	1224.33	1218.10	1095.07	1231.79	16.8	947.19	16.1	1231.79	16.7	94.71	11.12/74	94.71	11.12/74	
99	ALL-SHARE INDEX (A42)	1254.97	-0.2	4.69	-	-	30.23	1252.61	1246.95	1235.68	1065.70	1254.97	16.8	967.46	16.1	1254.97	16.7	96.74	11.12/74	96.74	11.12/74	
FT-SE 100 SHARE INDEX		2621.0	+1.8	2630.01	2611.7	2612.2	2608.8	2584.9	2584.9	2584.9	2570.6	2176.9	2621.0	16.8	2054.6	16.1	2621.0	16.7	96.9	23.12/74	96.9	23.12/74

INTERNATIONAL COMPANIES AND FINANCE

Electrolux holds decline in first-half profit to 9%

By Robert Taylor in Stockholm

ELECTROLUX, the world's largest white goods manufacturer, has turned in better than expected first-half results with a 9 per cent fall in profits (after financial items) to SKr917m (\$145.6m) from SKr1.01bn for the same period of last year. The result came after a 7 per cent decline in sales to SKr4.077bn from SKr4.34bn.

There was a slight improvement in the company's overall performance during the second quarter with a profit (after financial items) of SKr503m, compared with SKr500m, though sales dropped by 4 per cent to SKr2.153bn.

However, the company is taking a cautious longer-term view. Despite strong sales growth at the beginning of the second quarter in the aftermath of the Gulf war, "a weaker trend became evident again towards the end of the period".

The company admitted that there have been "no definite signs of an upswing in business conditions in the group's major markets". Demand was lower in its important North American and British markets during the second quarter than it had been for the same period of 1990 and there were signs of demand also slackening across the Nordic region.

While demand for its products in Germany continued to be strong, the rate of increase in sales there was starting to diminish.

Mr Anders Scharp, chairman, was careful not to give any prognosis for the rest of the year. Much of the improvement in the first six months stemmed from the savings made through Electrolux's restructuring programme that began last autumn in response to falling demand. This helped to improve the company's operating income in Europe though

the position in North America remained "unsatisfactory".

The performance of the company's important household appliances division was mixed. First-half sales fell by 2 per cent to SKr2.58bn but rose by 1 per cent in the second quarter to SKr1.99bn.

In commercial appliances sales rose 4 per cent in the first half to SKr4.37bn while there was a 3 per cent improvement in the second quarter to SKr2.96bn. By contrast there was a 4 per cent drop in the first half to SKr7.45bn, but the worst performance was in commercial services with a 71 per cent slide in second-quarter sales to SKr311m from SKr2.33bn.

The income improvement suggests that the ailing company is beginning to see slow signs of recovery mainly as a result of its drastic restructuring programme.

Saab Auto cuts losses in second quarter

By Robert Taylor

SAAB AUTOMOBILE, the company jointly owned by General Motors of America and Saab-Scania, registered losses of SKr699m (\$111m) in the second quarter, a 20 per cent reduction on the losses of SKr879m sustained in the same period last year. Sales revenue rose slightly by 5 per cent to SKr4.08bn from SKr3.85bn.

The income improvement suggests that the ailing company is beginning to see slow signs of recovery mainly as a result of its drastic restructuring programme.

Losses (after financial items) for the first half totalled SKr1.73bn compared with SKr1.54bn for the same period of last year. In 1990 as a whole - its first full year of operation - Saab Automobile incurred a loss of SKr4.64bn.

Saab said it expected the improving trend of the second quarter "to accelerate during the second half of the year as a rationalisation programme made an impact, especially with the closure of the Malmo assembly plant this summer."

The group's joint owners agreed last June to pump a further SKr1.5bn into the company in the form of new equity and subordinated loans to cover losses and the financing of the new model programme.

The sales picture has yet to improve strongly. Sales revenue fell by 6 per cent in the first half to SKr7.44bn from SKr7.98bn for the same period of 1990, though it improved by 5 per cent in the second quarter.

Philips, Sony in licence talks

PHILIPS of the Netherlands and Sony of Japan are involved in talks aimed at averting a battle over the new standard for digital recording technology, writes Michael Skapinker.

The two electronics companies are looking at the possibility of licensing each other's digital recording systems. Philips' Digital Compact Cassette (DCC) and Sony's Mini Disc both aim to replace the traditional audio cassette in the same way as the compact disc has supplanted the vinyl record. The companies developed the compact disc jointly.

Philips' recording system, due to be launched next year, has already gained the support of Matsushita of Japan, the world's largest electronics company. Philips also claims the backing of international music companies such as PolyGram, EMI, Bertelsmann and Warner.

Mannesmann 27% down at halfway

By David Goodhart in Bonn

MANNESMANN, the German engineering group, yesterday reported a 27 per cent fall in post-tax profits for the first six months to DM134m. The company explained the drop citing weak foreign business and increased investment in its mobile telecommunications business due to start operating before the end of the year.

New orders were down 5 per cent to DM12.4bn (\$7.1bn) and sales were also down 8 per cent to DM10.3bn. The claim by Mr Werner Dieter, the chairman, after the first-quarter results that 1990 sales and profits will be maintained, looks increas-

ingly unrealistic. Export sales were hard hit with a 13 per cent fall to DM4.1bn. Sales in businesses abroad fell 10 per cent. The company pointed to Brazil, where sales fell by 37 per cent to DM230m, and the restructuring crises of eastern Europe.

Sales in the machinery and plant building division, covering predominantly the two companies Demag and Rexroth, fell by 15 per cent to DM4.5bn, although new orders fell by only 3 per cent.

The motor technology division, predominantly Fichtel & Sachs, saw sales fall by 1 per

cent to DM1.5bn and orders shrink 2 per cent. The electronics division, predominantly Hartmann & Braun, fell by 10 per cent to DM1.1bn, and orders fell by 11 per cent, but that was partly because of the sale of the computer group Kienzle.

The more positive results from Krauss-Maffei, the information technology group, and the steel tubes and trade divisions could not compensate for the weaknesses elsewhere, especially in Brazil and machine building.

The steel tube division increased sales by 2 per cent to

DM2.2bn and the trade division also increased sales by 5 per cent to DM2bn.

The number of employees was reduced by 3 per cent to 121,400 and the company invested a total of DM500m - an increase of 5 per cent. Much of that went into the building of the D2 mobile telephone network. Although this should begin operation before the year-end, a critical determinant of future profitability, the cost of leased lines has still not been agreed with Telekom, the state-owned telephone operator which is starting its own D1 mobile telephone system.

Hewlett earnings disappoint

By Karen Zagor in New York

HEWLETT-PACKARD'S stock price fell sharply yesterday when the computer and electronics group reported lower than expected third-quarter earnings. Although HP characterised the quarterly results as "reasonably good", Wall Street's assessment was more harsh. Net revenue rose 9 per cent to \$3.5bn from \$3.2bn in the same period last year. Net earnings for the quarter were \$122m or 76 cents a share, up from \$178m or 73 cents.

Analysts had projected earnings per share for the quarter of around 84 cents. The stock price declined to \$50 1/2 by midday, down from a Thursday close of \$54.

"Our results were reasonably

good this quarter," said Mr John A. Young, HP president and chief executive officer. "Orders were satisfactory, our margins were strong, and we continued to make progress in managing operating expenses. But growth was slower in some of our businesses, and we had hoped to achieve better operating performance."

Sales of computers and measurement systems, HP's largest business segment, declined by 3 per cent in the quarter, although new orders rose a healthy 11 per cent. Analysts noted that the slow computer market has prompted heavy price discounting throughout the industry.

HP said sales of its latest computer products, which include Risc reduced instruction set computer systems and workstations "showed real strength" and that orders for its new miniature "palmtop" personal computer were strong.

HP's cost of goods sold as a percentage of net revenue rose to 54.2 per cent for the quarter, from 52.7 per cent last year, raising some concerns among industry analysts.

For the nine months ended July 31, net revenue was \$10.7bn, up 10 per cent from the \$9.7bn for the same fiscal 1990 period. Net earnings were \$630m or \$2.52 a share, up from \$577m or \$2.23.

Shawmut soars on bid hopes

By Karen Zagor

SPECULATION that BankAmerica might continue its expansionist streak by moving east and acquiring Shawmut National helped shares in Shawmut hit new 52-week highs yesterday morning in extraordinarily heavy trading.

Shawmut, a Connecticut-based bank which has been under pressure from US regulators to staunch its recent losses, has been rumoured to be a merger candidate for many months with BankAmerica, the likelihood of which has been a major factor in its stock price.

At midday yesterday, shares in Shawmut had climbed 3 1/2 to \$10 1/2, while BankAmerica was off 3/4 at \$42 1/2. Shawmut's stock has traded as low as \$2 in the last 12 months.

BankAmerica, which this week announced a \$4.5bn merger with Security Pacific in the biggest merger in US banking history, is transforming itself across the American west and maintaining its position as the second biggest US bank.

It is believed that BankAmerica is looking east to start challenging Citicorp, the biggest US bank, as a national bank and to take advantage of Citicorp's recent weakness.

A number of analysts, however, are sceptical about the likelihood of BankAmerica acquiring Shawmut before digesting Security Pacific.

Mr Charles Peabody, an analyst at Kidder, Peabody said: "BankAmerica's own capital

will be impaired by goodwill from the Security Pacific merger and it would have to raise significant capital to support a Shawmut acquisition. In addition it would probably have to be done on a pooling basis which would force BankAmerica to inherit Shawmut's credit risk and that's not something you want to do in this environment."

As for taking advantage of Citicorp's recent weakness, many analysts believe BankAmerica will have years to act. A recent review of Citicorp by Kidder, Peabody estimates that Citicorp is unlikely to earn \$2 a share before 1993, in spite of expectations of an improvement in the second half of 1991.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991	Low 1991
Gold per troy oz.	\$388.15	+0.20	\$409.5	\$392.25	\$363.55
Silver per troy oz.	236.85p	+2.25	272.80p	280.55	183.35p
Aluminium 99.7% (cash)	\$1244.5	-27	\$1795	\$1570	\$1227
Copper Grade A (cash)	\$2124.75	+0.75	\$2175	\$2124.75	\$2124.75
Lead (cash)	\$215.50	+1.25	\$249.0	\$232.5	\$222.5
Nickel (cash)	\$1027.5	-150	\$1125.0	\$923.75	\$811.0
Zinc (cash)	\$1027.5	-3.5	\$1050.0	\$1430	\$1039
Tin (cash)	\$2957.0	-10	\$2957.0	\$2957.0	\$2957.0
Cocoa Futures (Dec)	\$709	+12	\$714	\$714	\$596
Cocoa Futures (Nov)	\$709	+12	\$714	\$714	\$596
Barley Futures (Nov)	\$213.40	-0.25	\$114.90	\$121.50	\$107.75
Wheat Futures (Nov)	\$112.00	-3.3	\$115.05	\$141.10	\$111.90
Cotton Outlook A Index	\$27.75	+0.25	\$27.75	\$27.75	\$27.75
Wool (44s Super)	\$67p	+0.05	\$67p	\$67p	\$67p
Oil (Brent Blend)	\$19.53x	+0.025	\$20.50	\$25.15	\$16.75

For time unless otherwise stated. Unquoted, p-pence, c-cents, s. >Oct.

London Markets

SPOT MARKETS	Latest prices	Change on week	Year ago	High 1991	Low 1991
Gold (per troy oz.)	\$388.15	+0.20	\$409.5	\$392.25	\$363.55
Silver (per troy oz.)	236.85p	+2.25	272.80p	280.55	183.35p
Aluminium 99.7% (cash)	\$1244.5	-27	\$1795	\$1570	\$1227
Copper Grade A (cash)	\$2124.75	+0.75	\$2175	\$2124.75	\$2124.75
Lead (cash)	\$215.50	+1.25	\$249.0	\$232.5	\$222.5
Nickel (cash)	\$1027.5	-150	\$1125.0	\$923.75	\$811.0
Zinc (cash)	\$1027.5	-3.5	\$1050.0	\$1430	\$1039
Tin (cash)	\$2957.0	-10	\$2957.0	\$2957.0	\$2957.0
Cocoa Futures (Dec)	\$709	+12	\$714	\$714	\$596
Cocoa Futures (Nov)	\$709	+12	\$714	\$714	\$596
Barley Futures (Nov)	\$213.40	-0.25	\$114.90	\$121.50	\$107.75
Wheat Futures (Nov)	\$112.00	-3.3	\$115.05	\$141.10	\$111.90
Cotton Outlook A Index	\$27.75	+0.25	\$27.75	\$27.75	\$27.75
Wool (44s Super)	\$67p	+0.05	\$67p	\$67p	\$67p
Oil (Brent Blend)	\$19.53x	+0.025	\$20.50	\$25.15	\$16.75

For time unless otherwise stated. Unquoted, p-pence, c-cents, s. >Oct.

COCOA - London FOX

	Close	Previous	High/Low
Sep	670	667	670 660
Dec	709	708	711 699
Mar	740	741	744 733
May	758	757	761 751
Jul	776	776	780 767
Sep	793	796	797 787
Dec	821	821	820 811
Mar	843	843	845 835
May	860	859	862 853
Jul	877	877	878 874

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Economic data buoys dollar

THE DOLLAR closed above DM1.7600 in Europe yesterday, buoyed by US economic data. June's trade deficit fell by 16 per cent to \$4.02bn, the lowest level for eight years. Forecasts for the trade deficit are around \$4.5bn. The May deficit was revised up to \$4.79bn from \$4.57bn.

But the deficit with Japan the US would have been close to achieving balance in its trade position. The June deficit with Japan widened to \$3.23bn, from \$3.43bn in May, accounting for nearly three quarters of the total.

US industrial production rose 0.5 per cent in July. This was below the June figure of 0.6 per cent, but above expectations of 0.3 per cent. A capacity utilisation figure of 79.7 was also above most forecasts.

Economists said that the manufacturing sector continues to show moderate growth.

After touching a peak of DM1.7640 the dollar closed at DM1.7605 in London, compared

with DM1.7300 on Thursday. It also rose to ¥137.35 from ¥136.40; to Sfr1.5400 from Sfr1.5230; to Ffr5.9900 from Ffr5.8950. On Bank of England figures the dollar's index climbed to 67.0 from 66.4.

Sterling lost ground to the dollar, but was steady to firm against members of the European exchange rate mechanism. The pound fell 2.80 cents to \$1.6320. It also declined to Sfr2.5800 from Sfr2.5700 and to ¥228.00 from ¥228.25, but was unchanged at DM2.9250 and rose to Ffr9.9550 from Ffr9.9500. Sterling's index lost 0.3 to 90.3.

There was little reaction to UK economic news as attention remained focused on the dollar and the D-Mark. The UK retail price index fell 0.2 per cent in July, bringing the year-on-year inflation rate down to the low level for three years, at 5.5 per cent. Underlying inflation was steady.

A public sector debt repayment of £960m in July was

lower than expected. This included privatisation proceeds of £1.24bn and was regarded as disappointing, but was partly the result of high unemployment benefit payments, as a result of the recession.

The pound remained the third weakest member of the ERM. There was little movement in the mechanism, apart from a rise off the bottom by the Danish krone, to be replaced by the French franc. French interest rates have not been changed but the Danish Central Bank increased its lending rates on Thursday after the rise in German rates.

Mr Hans Teichmeyer, deputy president of the Bundesbank, said yesterday that the lower than expected rise of 1/2 point in the German Lombard rate does not mean that another increase is likely, but it is not ruled out later in the year. The D-Mark was steady in third strongest position in the ERM, below the Spanish peseta and the Belgian franc.

FINANCIAL FUTURES AND OPTIONS

LIFE LINE FUTURES OPTIONS			
Symbol	Call	Put	Settle
100	1.24	1.24	1.24
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LIFE LINE FUTURES OPTIONS			
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LIFE LINE FUTURES OPTIONS			
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MONEY MARKET FUNDS			
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and Gen. Bank	11.5	Royal Bank Ltd.	12	\$20,000-249,999	10.00
Bank	12	Royal Bank of Scotland	12	\$250,000-299,999	10.50
and Gen. Bank	12		12	\$100,000	10.50
and Gen. Bank	12	Smith & Whittier Secs.	12	\$250,000-299,999	10.50
and Gen. Bank	12	Standard Chartered	12	\$300,000-349,999	11.00
and Gen. Bank	12		12	\$350,000	15.00
and Gen. Bank	12		12	North shore corporate securities	phone ext 2160
and Gen. Bank	12	Unibank plc	12		
and Gen. Bank	12	United Bank of Kuwait	12		
and Gen. Bank	12	Unity Trust Bank Plc	12		
and Gen. Bank	12	Western Trust	12		
and Gen. Bank	12	Westpac Bank Corp.	12		
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Shares rise cautiously to another high

By Daniel Green

LONDON STOCKS edged further into new territory yesterday, helped by persistent buying of medium-sized stocks and the reassurance of good UK inflation figures.

Having touched a new high in mid-session, however, the market faltered, dragged lower by weakness in gilts and an early fall in New York.

London's earlier advance lacked the conviction of the previous two days, during which new highs were set by the market.

Trading volume subsided as some in the City took the opportunity of an early start to the week.

Shares started cautiously, pausing for breath after the rapid gains of the week. Only the publication of reassuringly predictable inflation figures

Account Opening Dates		
First Day	Jul 29	Aug 12
Second Day	Aug 5	Aug 29
Third Day	Aug 12	Sep 12

Account Closing Dates		
First Day	Jul 29	Aug 12
Second Day	Aug 5	Aug 29
Third Day	Aug 12	Sep 12

Notes: All dates are subject to change. All times are in GMT. All times are in GMT.

coaxed the FT-SE 100 index into positive territory.

Investment further improved after the publication of better-than-expected US trade figures.

The dollar strengthened against sterling and London advanced to a new trading high of 2630 at Wall Street.

Any complacency was upset by the suspension of shares in New York-based securities house Salomon Brothers,

which has admitted that it broke trading rules in the government bond market.

The news sent shivers through markets on both sides of the Atlantic. Bonds lost ground and dragged shares with them.

Gilts had already been unsettled by news that the amount of debt repaid by the government in July was less than expected.

This prompted fears that more gilts would have to be issued to cover the government's borrowing needs.

London retreated steadily from its early afternoon peak. The Footsie ended at 2621, up 3.8 on the day.

Changes in other indexes reflected the trend this week for institutions to buy shares in medium-sized rather than big companies. The FTA All-

Share index rose to 2.36 to a new high of 1254.97, while the narrower FT-30 index retreated 0.7 to 2041.9.

A series of programme trades late in the day brought turnover to a respectable 507.2m shares.

Institutions again bought selectively. Some of the larger medium-sized stocks to attract good buying included British Vita and Powell Duffryn.

Business was enlivened by the takeover battle for Macarthy, a maker and retailer of pharmaceuticals.

Banks staged a good recovery at the end of a patchy week. Midland led the way as analysts dismissed renewed bid talk and argued that it had positioned itself well for a recovery.

Trading volume picked up sharply mid-week as promising economic data triggered concerted buying by institutions.

LONDON SE volume

Turnover by volume (million)

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

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Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

Worst: 100 shares

Best: 1000 shares

FINANCIAL TIMES STOCK INDICES

	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Year Ago	High	Low	Since Completion
Government Securities	85.55	85.53	85.58	85.57	85.51	77.11	85.88	82.17	127.4
Fixed Interest	94.52	94.50	94.54	94.45	94.45	86.91	94.84	90.59	105.4
Ordinary Shares	2641.8	2642.6	2633.3	2622.3	2607.5	1878.9	2642.6	1878.9	2642.6
Gold Mines	178.4	177.2	177.2	177.4	178.3	235.8	222.8	173.7	43.5
FT-SE 100 Share	2621.0	2617.2	2608.8	2594.9	2589.4	2178.9	2621.0	2054.0	2621.0
FT-SE 100 Index	1165.915	1161.715	1178.58	1171.86	1164.31	-	1192.11	1038.62	1192.11
FT-SE 100 Share	2621.0	2617.2	2608.8	2594.9	2589.4	2178.9	2621.0	2054.0	2621.0
FT-SE 100 Index	1165.915	1161.715	1178.58	1171.86	1164.31	-	1192.11	1038.62	1192.11

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Second Day	Aug 5	Aug 29
Third Day	Aug 12	Sep 12

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US ruling unsettles Bats

SHARES IN BAT Industries moved erratically in response to the news late on Thursday that insurers in California must

renew \$2.5bn to motor policy holders. Bats owns Farmers, a US insurer with 13 per cent of the Californian motor market.

Bats shares lost ground quickly in early trading. The shares bottomed at 434p before

insurance analysts reassured the market that the chances of Bats' having to pay large amounts of money were small.

Several insurance "exchanges" - quasi-mutual or "reciprocal" insurers - managed by Farmers carry out the group's underwriting. The exchanges pay Farmers a fee based on premium income but

have to meet all insurance losses. Farmers said yesterday that it would be only minimally affected.

Bats recovered somewhat by the close, ending a net 5 off at 745p. Royal Insurance, which has a limited exposure to California, slipped 4 to 415p.

P&O rights talk

Speculation over a rights issue at P&O, the shipping company, gathered pace, forcing the group's shares 15 down to 575p in an otherwise firm

transport sector. Although rumours have been circulating for days, traders

appeared to take it more seriously and volume rose to 2.5m shares. At one stage P&O's

shares were off 22. One trader suggested an announcement could come as soon as Monday.

Analysts were sceptical, however, saying a rights issue did not make sense for P&O. Mr Mark McVicar of County

NatWest said the business was "recovering smartly" from a difficult first half. "There's no real justification for a rights issue and they wouldn't do it at this price," he said.

The interims, to be announced on September 11, were also cited as a reason for P&O's decline. Analysts are

expecting a sharp drop in profits and a cut in the dividend.

Speculation of a cash call also prompted heavy trading in the options market.

Macarthy higher

Pharmaceuticals maker and retailer Macarthy jumped 14 to 265p after retail chain Lloyds Chemists bid for the company

Top 300 UK stocks

Rebased

1st SE 100 index

2nd 100 shares

3rd 100 shares

Source: James Capel

Shares in big companies, almost entirely the constituents of the FT-SE 100 index, tend to outperform in uncertain

times. Medium-sized companies are often more dependent on the domestic economy and do not have the benefit of

being bought by funds which specialise in index constituents. By the same token, the shares are likely to climb

faster in an economic recovery. Government figures in the last few days prompted a switch of interest towards

medium-sized stocks. The second and third hundred biggest companies outperformed the Footsie this week.

It offered mixed paper and cash for Macarthy. The offer is on the basis of one new Lloyds ordinary share and 21p cash for each Macarthy ordinary.

Lloyds dropped 18 to 246p. After the market closed Lloyds announced that it had

acquired 4.6 per cent of Macarthy yesterday via its Centurion Investments joint venture and

now held 21.5 per cent of the equity. Mr Paul Woodhouse of securities house Smith New Court said of the offer: "I think it is a reasonably fair figure

although I still think there is a reasonable chance that AAH may emerge as a bidder." He argued another contestant would be unlikely to raise the share offer although it may

increase the cash element of the bid.

Boots also took a boost from the Lloyds bid. Shares rose immediately after the news and ended the day 5 higher at 425p on a trading volume of 3.8m.

AAH closed 4 up at 397p and the two current bidders, Unichem and Grampian Holdings, gained a penny to 165p and 5 to 187p respectively.

Chemicals company Cookson Group picked up 3 to 115p on heavy turnover of 4.3m after announcing that it had sold its US-based

AUTHORISED UNIT TRUSTS

Wild Fund Management - Contd.
 NC Scheme 173 17 74 27 78.17 (+0.05) -

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INDUSTRIALS (Miscel.)—Contd.

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REGIONAL & IRISH STOCKS			
The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.			
Crail & Ross Ltd.	240		
Fitches, J. & Co.	418		
Holt (Lond) Irish	3778		
IRISH			
Cash 94 1/2 % L.B.	595 3/4	-1 1/4	
Irish 94 1/2 % L.B.	595 3/4	-1 1/4	
Fin. 13 1/2 % 17/02	173 1/2		
Armoys.	173 1/2		
Grain & Rice Ltd.	418		
Fitches, J. & Co.	418		
Holt (Lond) Irish	3778		
Merton Hdg.	34		
United Irish	173 1/2		

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THE WEEK IN PERSPECTIVE

FINANCE AND THE FAMILY

Optimists drive Footsie to new high

MONDAY'S billboards screamed triumphantly: "England Does It". Cricket lovers explained that by winning the last Test match at the Oval, our boys in white had snatched a drawn series from the jaws of the usually invincible West Indians.

The modern City, post-Big Bang, is supposed to be less fixated on events such as Test matches and the start of the grouse season than in more relaxed days of yore. However, this week the stock market also seemed determined to take the most optimistic view of a very mixed bag of economic and corporate results.

The FT-SE 100 index of the leading companies and the comprehensive FT-A All-Share Index both scaled new heights this week, in spite of a rise in German interest rates, another jump in unemployment and the biggest quarterly decline on record in factory investment.

The City instead chose to focus on an unexpected jump in June's retail sales and a sharp rise in manufacturing output as demonstrating that the UK recession may have touched bottom.

General Accident and Royal Insurance, the UK life and general insurer groups, both cited the impact of recession when explaining respective interim losses of £101m and \$97m. But investors were much more

interested when Glynwed International, a barometer of the UK engineering sector, said that "in some sectors we are coming out of recession and in others we have bottomed out."

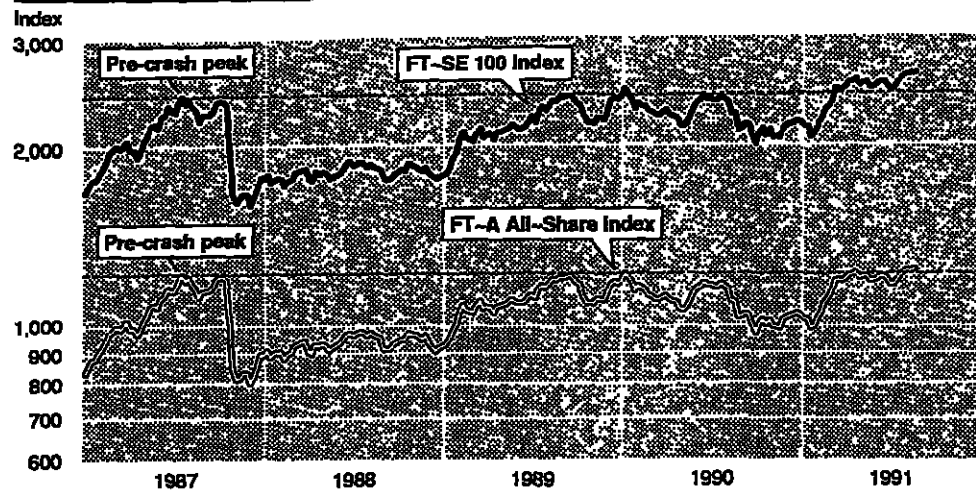
A poll of fund managers showed growing optimism about prospects for the equity market over the next three months and this was reflected by relatively high trading volumes. Another bullish indicator was the successful outcome of rights issues by Burton, the clothing retailer, and Trafalgar House, the shipping, engineering and construction group.

Institutional investors have been switching their attention away from the front-line FT-SE 100 stocks and started to concentrate on the second-tier companies. This is reflected in the performance of the FT-A All-Share Index, which this week has for the first time decisively broken through the barrier of its pre-1987 crash peak.

The City is also capable of reading opinion polls, however, and it is no means certain that the economic recovery - even if it is now beginning - will come through quickly and strongly enough to rescue the government from its current unpopularity.

Plans for the government to channel its sale of further shares in BT through share swaps set up by a selected group of banks and building societies had a sceptical recep-

London Markets



Source: Datastream

tion. It was widely seen as yet another attempt by the Tories to promote wider and deeper share ownership, an idea which had only limited success in the roaring eighties and looks even harder to achieve in the present more chastened economic climate.

Such criticism is nothing to the opprobrium being heaped on the government over its chosen method of awarding new commercial television licences, which the stockbroker-firm James Capel denounced as "possibly the most ludicrous in corporate history."

It was reported this week

that Central TV, the UK's second largest commercial TV company, had judged correctly that its bid would be unopposed and retained the franchise with an annual bid of £2,000 - just over £5 per day. That compares strikingly with the £54.1m bid by the smaller TVS, the TV company serving the south of England, which knew it faced stiff competition.

Analysts are divided as to whether this financial soap opera will have a disastrous effect on the TV companies and the quality of programme-making, or whether the winners will be rescued by strong growth in advertising. But the City can certainly spot a winner in this lottery: Central's shares jumped last month when it emerged the company had bid less than £1m for its franchise, and this week the shares gained 73p to close at 83p.

Some cynics have suggested that one reason the government has been coming in for a lot of press criticism recently is because this recession is hurting the quality newspapers where it hurts most - by cutting their advertising revenue. Pearson, the publishing, banking and industrial group which owns the *Financial Times*, certainly illustrated the latter point by revealing worse than expected interim profits of £40.7m - down 50 per cent on the same period last year.

Trading profits from the newspaper division, which includes the *FT*, fell from £31.2m to £15.8m.

However, in its Panglossian mood the market can see good news even in the government's plight. The fact that German interest rates were cut by slightly less than expected and yesterday's UK inflation figures showed continued progress has convinced many that UK interest rates will be cut again by the Conservative Party conference in October, if not before.

There is unlikely to be any decisive move out of recession or recovery in the government's fortunes until British consumers regain confidence. One man prepared to bet heavily on that is the Hong Kong entrepreneur Dickson Poon, who paid Burton £50m for Harvey Nichols, the fashionable London department store.

But perhaps a more significant pointer to City thinking came from Takare, which has expanded rapidly in recent years through building private nursing homes for the elderly and this week announced more than doubled interim pre-tax profits. It has scored a political coup by appointing Lord Ennals, social services secretary in the last Labour government and current opposition health spokesman in the Lords, as a non-executive director.

The City is full of punters, whether or not they still go to race meetings, and they all know about each-way bets.

Andrew Bolger

Serious Money

Other ways to slay the dragon of inflation

By Philip Coggan, Personal Finance Editor

INFLATION IS such a deadly enemy of savers that you should never forget it. Rising prices whittle away the value of your money; someone who retired in 1960 will have seen prices increase tenfold since then.

Savers should not relax their guard now that inflation is 5.5 per cent and falling. It may be tamed for a year or two, but experience suggests that it is a very hard beast to subdue for long.

The conventional wisdom is that equities are the best way of coping with inflation, and the statistics certainly seem to show this is true.

Barclays de Zoete Wedd figures published earlier this year comparing how £100 invested in 1945 would have grown by the end of 1990, assuming gross income was reinvested. Equities would have turned the sum into £24,383, gilts into £1,017 and Treasury bills into £2,086. Adjusted for inflation, equities would have grown to the sum of £1,385, Treasury bills to £119, but the real value of £100 invested in gilts would have fallen to 53p.

But whereas these arguments are obviously valid for institutions, which have plenty of tax advantages, they are less true for private investors. For a start, private investors have to pay tax at rates which, since the war, have been as high as 56 per cent. The same BZW figures for £100 invested in equities in 1945, allowing for the reinvestment of net income, produce a sum of £10,882 by the end of 1990. That is less than half the gross figure, in inflation-adjusted terms, £100 would have become £622.

Currently the top tax rate is 40 per cent, so a portfolio of £10,000, which yields 5 per cent gross, would bring the high rate taxpayer an income of just £300. It is possible to hold shares in a PEP these days, but the charges can eat away some of the tax advantages.

Over the long term, the reinvestment of dividend income earns far profits for institutions. But for the private investor, reinvesting an income of

£300 would be too costly. Commissions will absorb a far higher proportion of a private portfolio than of an institutional fund.

Nor are small shareholders likely to replicate the somewhat ideal picture represented by the equity indices, which do not allow for costs or tax and which replace lacklustre performers with rising stars.

All in all, private investors may find the rosy picture presented by enthusiasts for equities something of a pipe dream. One argument, for example, advanced by bulls of the UK equity market is that, although the FT-SE 100 index is at a peak, in real terms it is nowhere near the levels reached in 1987.

But look at the figures so-

in the middle of a recession, when markets are looking ahead to a recovery in profits and dividends.

For the private investor, the case for equities is certainly not overwhelming. The real returns available from building societies are currently exceptionally high by historical standards, as I mentioned a few weeks ago.

If inflation over the next 12 months is 4 per cent, and savers receive a gross 10 per cent on their deposits, then a higher rate taxpayer will earn a real return of 2 per cent, and basic rate taxpayers 3.5 per cent.

Of course, in the long term, building society deposits are the most vulnerable of all to inflation. But there is a risk-free alternative for investors - index-linked National Savings and Gilts.

The former pay 4.5 per cent above inflation, if held for five years, but the key advantage is that they are tax-free. However, private investors are not always made aware of their charms. There is no commission for selling them, and institutions cannot buy them, so they are little analysed.

Using the BZW figures, one can calculate that if index-linked National Savings had been available at current rates ever since 1945, £100 invested in them would have turned into £11,285. That is almost £400 more than the after-tax sum produced by investing in equities. And the BZW figures only show the effect of basic rate tax; higher rate taxpayers would have earned much less.

There are disadvantages to certificates. The maximum you can invest in the present issue is £10,000, and they do not pay any income. However, they are an ideal core element in an investor's portfolio. They can't go down in value, and they are issued by an unimpeachable credit risk - the UK government. You can also top up your inflation-proofing by buying index-linked gilts, where both the capital and interest grow in line with inflation. Equities are not your only option.

duced by BZW. Its inflation-adjusted equity index, based at 100 in 1913, reached a peak of 453.1 at the end of 1986. It did not pass that peak again until 1989 - when it reached 478.3. It almost regained that level in 1972, but then slumped again, climbing back briefly in 1989, before falling once more.

So there is nothing in the records to indicate that equity prices make steady progress in real terms. There are long periods - for example, the 25 years from 1958 to 1983 - when equity prices go backwards in real terms.

History does not, of course, have to repeat itself; equities may be about to surge to new inflation-adjusted heights.

The traditional valuation measures send mixed messages. The yield on the FT-A 500 Index is, at 4.6 per cent, below the 1968-91 average of 5 per cent; the P/E ratio, at 14, is above the average of 12.2. But one would expect such figures

to be high, given the current market rally and a sharp rise in bank stocks.

The sudden enthusiasm for bank stocks stemmed from Monday's announcement that BankAmerica, the largest bank in California, and Security Pacific, the second biggest, had agreed to marry - the biggest merger yet in the wave sweeping through the US industry.

The deal will make the combined group the biggest in the US on many measures, and a close second to Citicorp in terms of assets.

Although described as a merger of equals, it is clear that BankAmerica is calling the shots, for while it has one of the strongest balance sheets of the large US banks, Security Pacific has been struggling under a burden of bad debts and an international expansion which went awry.

The merger will give BankAmerica, which has a strong franchise in the highly profitable field of retail (high street) banking, immense clout in the US west of the Rocky Mountains and a strong base from which to drive east. It made an unsuccessful bid earlier this

year for the insolvent, Boston-based Bank of New England, and is rumoured to be in talks with several other east coast institutions.

It says combining with Security Pacific will allow the banks to add \$1m to earnings over three years thanks to cutting out overlapping operations - which analysts reckon could mean the loss of 10,000 to 15,000 jobs out of some 100,000 - many from Security Pacific, which cynics remain insecurely Pacific.

The deal was welcomed on Wall Street, with the shares of both banks rising sharply, although the get-together is not without risks for BankAmerica. Doubts remain about the quality of Security Pacific's loan portfolio, especially in the California property market. However, the two banks plan a \$1bn charge to clean up their books before the marriage is consummated.

Monday 3001.34 + 5.14
Tuesday 3006.37 + 5.03
Wednesday 3005.37 - 2.35
Thursday 2998.43 - 6.94

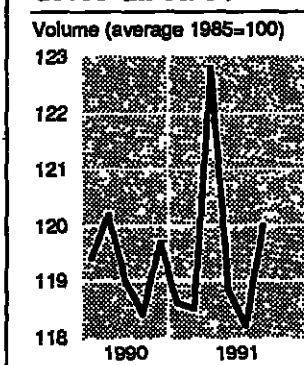
Martin Dickson

HIGHLIGHTS OF THE WEEK

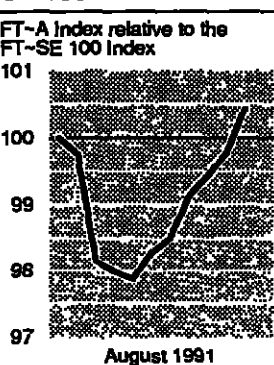
	Price	Change	1991	1991	
	Ytd	on week	High	Low	
FT-SE 100 Index	2621.0	+50.4	2621.0	2054.8	Gvt. data encourages recovery hopes
Alliours	665	+63	708	155	Buoyant hol. blngs/broker upgrades
Avon Rubber	301	+23	302	214	Warburg 'buy' recommendation
Barton	40 1/2	+4	94 3/4	30	Rights issue success
Cadbury Schweppes	392	+19	400	314	Relief after MMC report
Carlson Comm	497	+32	507	350	Optimism over franchise
Central TV	883	+73	873	480	Optimism over franchise
Glaxo	1343	+80	1346	800	Partial UK approval for migraine drug
Heywood Williams	292kd	+22 1/2	308	229	Bid spec'buy' recommendations
Hickson Int'l	182	+17	184 1/2	102	Relief over results
Hilldown	239	+19	269	154	Anticipates strong results
Legal & General	457	+22	478	349	UBS 'buy' recommendation
Lucas Inds	159	+17	173	122 1/2	Kleinwort 'buy' recommendation
Midland Bank	259kd	+25 1/2	263	150	Recovery/takeover hopes
Trafalgar House	237	+20	261	169	Successful rights issue

AT A GLANCE

UK retail sales



Stores



Sales figures lift retail sector

Retailing received a lift this week from the monthly retail sales figures, which showed demand from high street shoppers picking up much more quickly than economists had expected. The news also encouraged the belief among analysts that the current recession is coming to an end, and boosted share prices in the retailing sector.

Seasonally adjusted retail sales volumes rose during June by 1.5 per cent, according to the Central Statistical Office, up from an earlier estimate of 1.3 per cent. Sales volumes fell in April and May. However, there was little evidence of a revival in borrowing by consumers: net new credit increased by only £22m in June, according to the CSO.

Share prices in the sector were helped by a number of other factors, including favourable market reaction to a one-for-one rights issue by the Burton Group, which it was announced on Wednesday had been 87.66 per cent subscribed. Turnover in the sector remained very buoyant throughout the week and the sector outperformed the market.

NatWest may charge for credit cards

National Westminster Bank looks likely to introduce a charge for its credit cards following a review of its policy on the subject. An announcement of its new policy is expected before the end of the month. At present, NatWest is the only one of the big four clearing banks not to levy a charge on its credit card users, and the bank has not denied reports that it will now levy a charge. However, NatWest officials will not indicate how much any charge would be.

Gift Aid donations top £100m

Almost £100m has been given to charities under the government's Gift Aid scheme, which started on October 1 last year, according to figures released this week. Gillian Shepherd, treasury minister, described the figures, which take the scheme up to June 30 1991, as "an encouraging start". Gift Aid provides full tax relief on individual gifts of £500 or more. There is no upper limit on donations. Payments are made net of basic rate tax, which the charity can then claim as a refund. Individuals paying tax at 40 per cent can claim higher rate relief on the grossed up amount of the payment from their tax office. The figures show that 20,150 individuals and 2,050 companies have made gifts under the scheme.

Smaller companies shine

While the FT-SE 100 Index was reaching a new record high, smaller company shares enjoyed a good week. The County Smaller Companies Index jumped 1.1 per cent to 958.23 over the week to August 15 while the Hoare Govett Smaller Companies Index (capital gains version) rose 1.2 per cent to 1191.45 over the same period. The Hoare Govett team believes that those smaller companies exposed to the domestic consumer offer value at the moment. They believe that such companies are highly operationally geared to recovery.

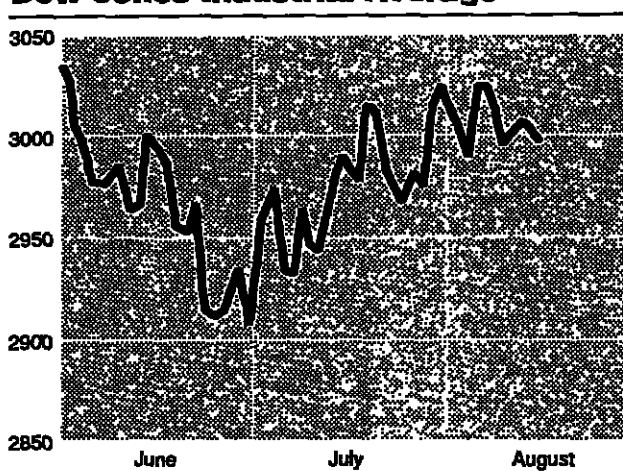
Which? tax guide updated

The Consumers' Association this week published a new edition of its tax-saving guide, *Which? Way To Save Tax 1991-92*, incorporates all the changes made by the 1991 Budget, highlights tax-free investments and explains inheritance and capital gains tax. *Which? Way To Save Tax 1991-92*, Consumers' Association, PO Box 44, Hertford X, SG14 1SH. £11.95 including postage and packing.

Wall Street

Dog days bite the bankers back

Dow Jones Industrial Average



Source: Datastream

the firm has acknowledged that one of the bogus bids it made - for \$1bn of securities - was the unintended consequence of a practical joke.

All this sent Salomon's share price into sharp decline on Thursday. This unsettled an equities market which had turned modestly higher early in the week, helped by a bond

markets remains its bread and butter. Salomon has always had a reputation for playing hard, fast and rather loose - an image underlined by the best-seller *Liars' Poker*, written by a former Salomon bond trader, which painted a thoroughly unflattering picture of the firm's trading practices and attitudes towards its clients.

Three government agencies are investigating its bond trading activities, and there is no saying what else may come to light.

At the least, Salomon would appear to face a very large fine from authorities who will be anxious to demonstrate that firms cannot act illegally in the Treasury market and get away with it. A much more severe action would be to strip Salomon of its lucrative status as a primary dealer. However, it is such an important player that this might risk unsettling the whole market. A more likely punishment would be a temporary bar from Treasury auctions.

It also questionable whether Salomon's senior management can survive the

market rally and a sharp rise in bank stocks.

The sudden enthusiasm for bank stocks stemmed from Monday's announcement that BankAmerica, the largest bank in California, and Security Pacific, the second biggest, had agreed to marry - the biggest merger yet in the wave sweeping through the US industry.

The deal will make the combined group the biggest in the US on many measures, and a close second to Citicorp in terms of assets.

Although described as a merger of equals, it is clear that BankAmerica is calling the shots, for while it has one of the strongest balance sheets of the large US banks, Security Pacific has been struggling under a burden of bad debts and an international expansion which went awry.

The merger will give BankAmerica, which has a strong franchise in the highly profitable field of retail (high street) banking, immense clout in the US west of the Rocky Mountains and a strong base from which to drive east. It made an unsuccessful bid earlier this

year for the insolvent, Boston-based Bank of New England, and is rumoured to be in talks with several other east coast institutions.

It says combining with Security Pacific will allow the banks to add \$1m to earnings over three years thanks to cutting out overlapping operations - which analysts reckon could mean the loss of 10,000 to 15,000 jobs out of some 100,000 - many from Security Pacific, which cynics remain insecurely Pacific.

The deal was welcomed on Wall Street, with the shares of both banks rising sharply, although the get-together is not without risks for BankAmerica. Doubts remain about the quality of Security Pacific's loan portfolio, especially in the California property market. However, the two banks plan a \$1bn charge to clean up their books before the marriage is consummated.

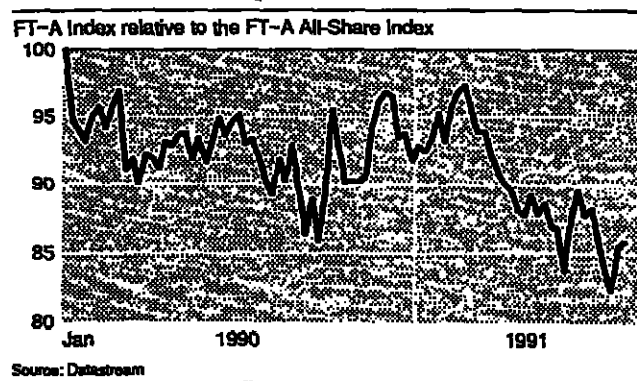
Monday 3001.34 + 5.14
Tuesday 3006.37 + 5.03
Wednesday 3005.37 - 2.35
Thursday 2998.43 - 6.94

Martin Dickson

The Bottom Line

Insurers still tangled in the wreckage

Insurance composite



Source: Datastream

than \$4bn in insured damage. Even after claiming on their reinsurance policies, UK insurers suffered large losses. Worse still, after last year's dry summer claims from householders for subsidence reached a record \$400m. The effect of the Gulf crisis on the equity markets also damaged the asset values.

This year the recession has fuelled a crime wave. Companies have been faced with rises of up to 600 per cent in their reinsurance costs. Price compe-

tion has aggravated difficulties by making it impossible for companies to charge an adequate rate for the risk without losing market share.

Since January 1990 the insurance sector has underperformed the market by about 15 per cent. The general downward movement has been punctuated by rallies, prompted by promises of price rises. Sun Alliance's announcement that it intended to increase property rates by up

to 80 per cent for householders living on the subsidence-prone soils of the south-east in July led to a jump in its share price.

The question is whether promises will produce a broader improvement in the market which would bring with it the prospect of a return to profitability. According to Kevin Phillips, an analyst with Kleinwort Benson: "The time to invest in the sector is when premium rates turn up."

Phillips believes a recovery in prices is beginning, although competition, especially for commercial lines business, remains strong.

Allan Nicholls, analyst with James Capel, says: "We have probably seen the worst". He expects the composites as a whole to record an overall loss of £45m this year - exactly the same as in 1990 - but believes profitability will be restored in 1992. In this context - although Nicholls retains a neutral stance - some analysts argue that high yielding Royal and GRE could be seen as potentially interesting recovery stocks. Royal yields 8.3 per cent and GRE 8.8 per

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money is being accepted from September 6 until November 15. Those who apply early will receive an extra allocation of 1 per cent.

The effect is that you will do better than the market if equities fall or rise only slowly but worse if they rise substantially. If the multi-select fund

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As with other policies, you are giving up the right to benefit from the full effect of any rise in the stock market, but the ability to lock in

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the Revenue. As a result the taxpayer will have to deal with the the Revenue only twice a

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Threat to discounted options

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REGIONAL ADVISERS

the insurers are unhappy about the proliferation of this "poison pill" device they are suggesting that an ESOP which is capable of buying up more than 5 per cent of a company's share capital should

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"LLOYD'S MEMBERSHIP A LAW-AND-PRACTICE GUIDE FOR NAMES"

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Whether, if such a suggestion were to be adopted, insurance company shareholders would vote in favour will depend upon why the arrangements are being set up. According to Regan, his association's objective is "to facilitate greater communication by the directors with shareholders as to the philosophy behind the scheme."

David Cohen is a partner in the City law firm of Poitner & Co.

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FINANCE AND THE FAMILY

Life's Landmarks

Tie the knot — then tidy the finances

Newly-weds should look beyond the stars in their eyes, advises Scheherazade Daneshkhu

THERE WAS a time when it was more lucrative for couples to live together than to get married. Independent taxation for women changed that. With one wave of his budgetary magic wand, the then Chancellor Nigel Lawson satisfied both the women's libbers and the upholders of Victorian values.

Now, both the man and woman keep their separate tax-free allowances, at present £3,235 each. In addition, they receive a married couple's allowance of £1,720. Those who take their personal finances seriously should note that they will only get the full married couple's allowance for the year if they marry before May 6. A wedding on or after that date reduces it by one-twelfth for each complete month after April 6.

Some elements of pre-independence paternalism still exist in that the married couple's allowance is given to the man. The only exception is when the man has insufficient income to use it — if his income was below the total of his personal allowance plus the married couple's allowance (£5,015).

If each partner owned a property before marriage, one will have to be sold within three years if the couple wants to avoid capital gains tax. This period of grace, to allow for problems in selling a property, has been extended from two

years to three because of the slowness of the housing market.

Paul Elliott, of BDO Binder Hamlyn, the accountants, gives the following example. If a house has been at one point your main residence, the law treats the last three years of your ownership as if you had occupied it. If you take more than three years to sell it, you will be liable to pay a small amount of tax. For example, if you lived in a property for ten years and then sold it four years to sell it, you would be deemed to have lived there for 13 years and would pay tax on one-fourteenth of the capital gain (after allowing for inflation and subtracting your annual exemption).

Once married, you can think about reorganising your savings to maximum benefit. If one partner is not working, their personal allowance is being wasted. In this case, savings can be transferred to the non-working partner who will then receive interest, for example on a building society interest account, at gross rates. The same is true for shares or unit trusts, where interest on dividends can be reclaimed.

However, if you have sufficient income from savings and investments to exceed the personal allowance of £3,235, then the non-working partner will have to pay income tax on the excess. If one of the two is a higher rate taxpayer and the other is in the lower rate band,



it may be profitable for the lower rate taxpayer to hold the bulk of the joint finances. Such transfers are possible but they are meant to be genuine transfers in the form of an outright gift. The Inland Revenue may object if assets flit between husband and wife.

The same principle applies to tax relief on mortgage payments. It is possible to apportion interest between the couple so that, if one partner is a taxpayer and the other is not,

interact the peace of mind that tax efficiency is meant to bring.

Depressing though it might seem, it is as well to consider the possibility of divorce as you prepare your finances for married life.

Gillian Mainds, technical director of Fiona Price and Partners, the independent financial advisers, recommends that financial planning for a married couple be separate but complementary. It is not a good idea to hold everything jointly, though one joint account for household expenses would be useful. Instead, savings should be held evenly but separately.

Mainds also recommends that if an endowment policy is to be taken to raise a mortgage, two policies should be taken out, so that if the marriage does end there can be no dispute as to who is going to walk off with the endowment.

For example, if the couple wants to raise £70,000, Mainds suggests an endowment of £35,000 each. The life assurance element should be arranged so that each is covered for the death of the other. "A number of people who have got divorced have told me how glad they were that they took out separate endowments," said Mainds.

Endowment mortgages are often recommended because of the high commission they pay the adviser and Mainds warns that they may not be the best

option — a repayment, pension-linked or personal equity plan mortgage might be better, depending on the circumstances of the couple. If you have any money spare after the wedding and the mortgage, it is a good idea to start thinking about saving for the future, particularly if you plan to have children. A certain amount should go into a high-interest building society account for ready access, some into index-linked gilts or National Savings certificates, both no-risk investments, and the rest into a long-term savings policy, such as a PEP-linked investment or unit trust.

We dealt last week with other policies such as life assurance, which again will be necessary if you want to provide for your dependents. However, it is only worth taking out these policies if you are sure you can maintain the payments — early surrender values are abysmal.

Wives in particular should think about long-term savings to boost their pension which is likely to be lower than the husband because of the time spent away from work having children.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Value of bid per share	Value of bid per share	Value of bid per share
API	145	120	97	30.34	NMC
Ambersec Sec.	48	46.2	35	16.37	E Midlands Elec
Copeen (F.)	38	35	28	4.43	Priddy
Elam	183.9	184	182	87.2	Cornwall Inv. Corp
Food Inds.	183.9	184	182	87.2	Greencore
Goring Kerr	206	194	189	7.28	Cambridge E Ltd
Guinness Mahon	46.5	46	30	10.88	Thermo Electron
Invergordon	242	238	185	285.28	St of Volcomms
Macarthy	269.95	269	232	71.56	Wyle & Mackay
Macarthy	269.95	269	232	71.56	Unichem
SD-Scion	60	58	43	121.16	Elect. Data Syst.
Sutherland	88	87	57	38.15	Headwood Foods
TACS	285	285	203	27.83	Cambridge E Ltd
Thrupper Barrow	4755	47	26	9.86	Haywood Williams

*All cash offer. **Cash alternative. ***For capital not already held. ****Conditional. *****Based on 2.30pm prices 16/8/91. F&I suspension. **Shares and Cash. ***For 48.9%, for 13.3% outstanding. ****Approximate average value assuming each shareholder elects to take up full rate entitlement of the Convertible Alternative. Offer comprises two parts: 1) £1.468 cash 2) a 3 1/2% Convertible Loan Stock Alternative 1995 (conversion price 270p) on the following basis: in lieu of every £1.50 of cash under the offer, £1.50 nominal amount of Convertible.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividend per share (p)
Abingworth	Jun	1,420 (257)	4.8 (1.9)	4.0 (1.5)
Amalgamated	Jun	706 (353)	14.2 (6.1)	5.7 (3.2)
Bechtel Group	Jun	4,930 L (424 L)	-	- (0.75)
Brandon Hire	Apr	54 (967)	0.87 (7.03)	3.33 (3.33)
Crown Eyeglass	Mar	251 (281)	11 (11.3)	3.5 (3.0)
EMC Group	Mar	316 (138)	4.72 (2.48)	1.8 (1.0)
Ferranti Int.	Mar	98,100 L (191,700L)	-	- (1)
Flintstone Holdings	Jan	594 L (285)	-	- (0.17)
Flogas	May	6,740 (4,200)	23.78 (17.01)	7.41 (6.86)
Granville	Mar	1,080 (1,080)	-	- (1)
Heath (Sons) & Sons	Mar	377 (1,020)	8.3 (22.9)	5.5 (5.5)
Howard Holdings	Apr	495 L (1,090)	-	- (2.4)
Lincoln House	Dec	2,350 L (564)	-	- (4.23)
Radient Metal Fin.	Feb	169 L (71 L)	-	- (2.2)
Reynolds	Mar	1,000 (1,030)	4.75 (3.57)	2.26 (2.2)
Saville Gordon (A)	Apr	2,300 L (6,560)	-	- (2.2)
Saville Gordon (A)	Mar	4,450 L (3,010)	-	- (9.5)
Saville Gordon (A)	Mar	458 (808)	0.8 (1.12)	0.25 (0.5)
Whitney Mackay-Lewis	Apr	576 (362)	5.1 (4.0)	2.0 (2.0)
Wholesale Filings	Apr	4,280 (5,140)	19.7 (24.5)	16.62 (16.62)
Whitmore Tea Hds.	Mar	6,460 (6,780)	71.3 (74.7)	25.0 (25.0)
Wills Group	Jun	512 L (547)	-	- (3.9)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividend per share (p)
AAF Investment	Jun	2,200 (2,000)	4.5 (4.0)
Ayrshire Metal	Jun	967 (574)	- (1.76)
Beta Global Emerging	Jun	5,410 (5,860)	4.5 (4.5)
Blagdon Industries	Jun	-	- (9.2)
Britannic Assurance	Jun	2,010 (5,270)	4.18 (4.18)
Expamet Int'l.	Jun	4,020 (2,030)	3.0 (3.0)
Food Industries	Jun	25,700 (21,800)	1.07 (1.0)
Foreign & Colonial	Jun	24 (324 L)	- (0.375)
Forewell	Jun	101,500L (86,600L)	8.7 (9.7)
General Accident	Jun	10,400 (40,400)	4.15 (4.15)
Glyndwr Int'l.	Jun	967,000 (938,000)	2.85 (2.85)
Hanson	Jun	10,200 (18,300)	1.5 (1.5)
Hickson Int'l.	Jun	12,100 (11,900)	- (1)
Hillingdon Int'l.	Jun	8,230 (9,600)	7.0 (7.0)
Kalon Group	Jun	3,970 (2,650)	0.7 (0.5)
Manchester Ship	Jun	4,750 (3,900)	-
Merrill International	Jun	1,100 (1,100)	1.5 (1.5)
Molyneux Holdings	Jun	1,100 (808)	1.3 (1.25)
Newmarket Venture	Jun	421 L (805 L)	- (4.3)
Nichols (JN) (Vinto)	Jun	3,180 (3,100)	4.6 (4.3)
North Midlands Con.	Jun	452 (227)	0.5 (0.5)
Pacer Systems	Jun	40,700 (97,900)	10.75 (10.75)
Pearson	Jun	36,200 (36,500)	1.242 (1.22)
Queens Most Houses	Jun	97,000 L (65,000 L)	11.25 (11.25)
Royal Insurance	Jun	97,000L (1,420)	- (0.35)
Sea Containers	Jun	2,950 (320)	0.5 (0.5)
Takara	Jun	21,800 L (37,200)	3.5 (3.5)
Thornett Pan-Europe	Jun	54,000 (648,000)	- (1.64)
Ulyanov	Jun	397 L (1,640)	0.5 (0.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net of tax, except where otherwise indicated. L = loss. *Revenue & Figures for 9 months. *Figures quoted in US dollars & cents. *Figures quoted in Irish pounds & pence. *This year's figures for 15 months.

RIGHTS ISSUES

Never Resources is to raise £1.75m via a 3-for-2 rights issue at 20p.

RESULTS DUE

Company	Announcement date	Last year	This year
AFAL DIVIDENDS			
Aerospac Engineering	Friday	1.56	1.56
ATP Communications	Tuesday	1.12	3.82
Joe Holdings	Wednesday	2.8	3.9
Mickey Securities	Wednesday	2.8	3.9
Newmarket (Lons)	Thursday	3.25	4.0
Pico Holdings	Thursday	3.25	4.0
Stover Systems	Thursday	16.38	16.38
Waverley Cameron	Friday	0.3	0.7
INTERIM DIVIDENDS			
Alliance Trust	Monday	13.0	27.0
Amor International	Monday	2.0	4.0
Argos	Monday	2.0	4.0
Associated Fisheries	Tuesday	1.0	6.0
Baillie Gifford Shin Nippon	Friday	6.0	13.25
BICC Group	Monday	2.3	4.0
BPP Holdings	Monday	3.3	7.5
Cambridge Electronic Inds.	Thursday	8.0	7.2
Capital & Counties	Monday	1.5	2.3
Castle's Holdings	Thursday	0.45	0.94
City Centre Restaurants	Thursday	1.2	5.04
Clarke (T)	Friday	0.29	0.35
Dunelm Group	Thursday	8.0	16.0
Dunelm Income Growth Invest.	Thursday	8.0	16.0
EFT Group	Monday	0.3	0.7
Spinn Group	Monday	2.1	4.3
French Property Trust	Monday	0.4	0.7
Hay & Croft Group	Monday	0.7	1.4
Leah Continental Group	Friday	0.71	2.0
Kerry Group	Friday	0.71	2.0
Latin American Investment	Wednesday	4.0	10.5
LEC Refrigeration	Thursday	2.1	4.26
Murphy	Thursday	0.25	0.25
Rea Brothers	Thursday	1.05	2.94
Richardson West	Thursday	0.82	2.2
Scottish Eastern Investment	Tuesday	1.05	2.94
Seaton Holdings	Tuesday	1.2	2.3
Sonar (W) & Sons	Thursday	2.3	8.0
Torday & Carlisle	Friday	0.5	1.4
Trencherwood	Wednesday	0.5	1.4
TV High Income Trust	Wednesday	4.0	8.0
Victoria	Wednesday	2.8	6.5
Weir Group	Thursday	4.5	6.5
Wills Corcoran	Thursday	3.3	3.3

*Dividends are shown net of tax and are adjusted for any intervening scrip issue. *2nd interim dividend.

PRINTING TECHNOLOGY

The FT proposes to publish this survey on

28 October 1991

More senior European businessmen in the paper, printing and publishing industries, read the Financial Times than any other business title. If you want to reach this important audience, call Bill Castle on 071 873 3412.

FT SURVEYS

An academic issue

JOHNSON FRY, the Business Expansion Scheme sponsor, has launched a company to invest in assured tenancy accommodation for University College, London.

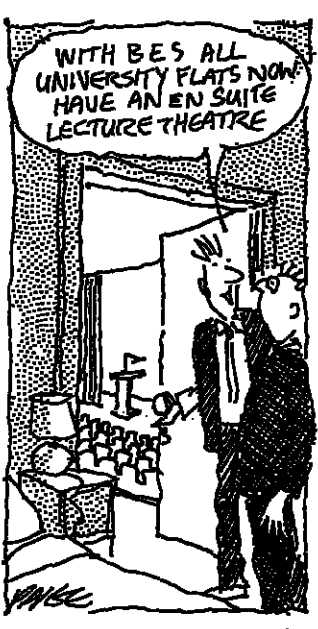
The scheme, called Fourth Super Growth, has a covenant from the college to buy back the properties after five years at a fixed price, 35 per cent greater than the amount paid by investors.

This covenant should bring investors in the top 40 per cent income tax bracket a net annual return of 16.49 per cent (or 12.06 per cent for a basic rate taxpayer). Problems would arise if the college were unable to repay the money, but analysts suggest this is unlikely.

Anthony Yagdaroff, of Allenbridge, which publishes Best BES Advice, said UCL was a "strong guarantor" but suggested it was worth waiting to see if other BES companies offered a higher yield.

Charles Fry, chairman of Johnson Fry, was also keen to point out that the institutional buy-back contracts were already in place. This follows bad publicity for Cambridge Colleges, a similar fund floated earlier this year, which raised about £32m.

As its name implied, the intention was to invest the money in Cambridge colleges (and also colleges at Oxford). Earlier this month, Capital Ventures, the sponsors of the issue, wrote to investors saying that only a limited portion had been invested in Cambridge, and asking for permission to



invest in accommodation for academic institutions outside Oxford and Cambridge.

No tax relief is payable until some months after the funds have finally been invested so the deal, which was also intended to include the highly attractive "buy-back" covenants with the universities, has turned out to be less attractive than at first thought.

Accountants and advisers still seem more inclined to trust the new BES companies with an assured buy-back agreement than any previous BES schemes and many more are likely to be launched in the next month. The deadline for

carrying forward tax relief from the last tax year falls at the end of September, and there is usually a flurry of BES issues in the weeks leading up to it.

However, you should do two things before investing in a buy-back BES:

Look at the strength of the guarantor. No deal has yet been independently underwritten by a third party — although at least one sponsor came close to doing this — so the safety of these deals is wholly reliant on the companies contracted to buy back the property. Most universities should be able to pay the money after five years, but some other "guarantor" bodies are smaller, and may have more difficulty.

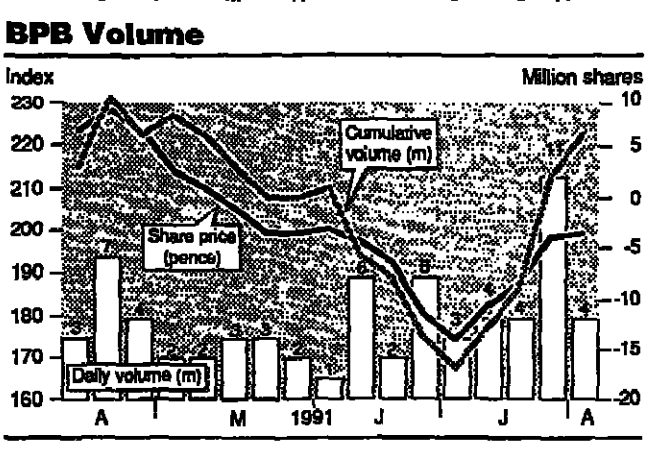
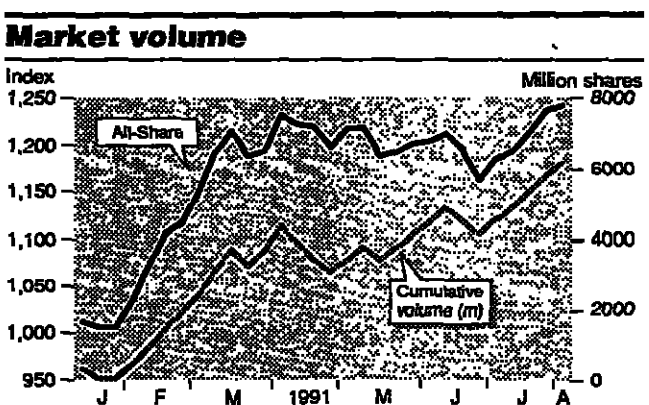
Before investing, check that the covenants, crucial to the safety of the scheme, have already been entered into. In the case of Cambridge Colleges they had not been, and a large tranche of investors' money has lain idle for four months. There might have been better uses for the money.

As the new BES season approaches, you might want to look at the latest guide to the subject, which is still strewn with difficulties for the private investor. *The Outline Guide to the Business Expansion Scheme 1991/92* (price £25.50) has just been published by Investment and Tax Publishing Services, 56 Wigmore Street, London W1H 9DG.

John Authors

A weather eye on volume

Charles Wyatt examines a driving force behind a market rally



power was siphoned off into rights issues and both volume and prices boomed over. This time customer volume is increasing steadily against an existing background of rights issues and broker deals.

The real difference between the two advances can be seen in cumulative volume. This is the measure of investor enthu-

siasm, or lack of it, behind price movements. It is calculated by adding week-on-week volume when the index is rising and subtracting when it falls. It demonstrates whether issues and broker deals are in the ascendant.

On the chart, cumulative volume lagged the All-Share index significantly in the first

five months of the year, but moved ahead sharply in June to signal the current advance.

Since then it has given an encouraging sense of support and a continuation of the current trend can be expected, though not without the odd silly season hiccup. A sharp eye should be kept, therefore, on daily SEAQ volume.

In this basis it is worth seeking out what evidence there is of selective forays by the institutions. One such is BPB Industries, the leading European manufacturer of plasterboard and one of the main constituents of the building materials index. Its cumulative volume and share price is shown in the chart.

The company recently had a successful rights issue and the turning point for the share price seems to have come at the beginning of July when it went ex-rights. However, the initial recovery was muted and the background of customer volume around the previous weekly moving average of 4m shares held little attraction.

Then came the burst of above average volume when 11m shares were traded in the week ending July 26. This was clearly a bullish indicator as it followed an overall downtrend in the share price — the First Law of volume analysis.

Market reports at the time indicated that fund managers were starting to take a contrarian view of the building materials sector. It has been out in the cold for some time, but crept up from 38th to 33rd position in the leaders and laggards table over the past two

months.

Cumulative volume supports this view of a change in attitude to the stock. The turn in sentiment was marked once the rights issue was out of the way and the burst of volume thereafter on a rising price

The Week Ahead

BICC Group, the cables and construction group, has attracted a wide range of estimates for its first-half results, due out on Wednesday. An optimistic view is that it will top £20m pre-tax, similar to the second half of last year; others go below £70m.

Taking £72m, this would be 25 per cent down on the 1991 interim, with Australia, Canada and UK construction — affecting the Balfour Beatty subsidiary — blamed for the damage.

Among the questions will be whether the cables business will be one of the early sectors to recover from the UK recession. Bears construction are sceptical, whereas others feel that house building and renovation will pick up early. Second half improvements in demand from the telecoms and power sectors are also expected to offer some comfort.

On Monday, Argos, the well-respected catalogue retailer, is likely to report a fairly sickly set of interim results as it struggles with weak sales demand and a decline in interest receivable.

PRINTING TECHNOLOGY

The FT proposes to publish this survey on

28 October 1991

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FT SURVEYS

COURSES AND CAREERS - WEEKEND FT SPECIAL REPORT



In credit: Roger Wood and Christopher Wright of Herts TEC

Why Britain is getting smarter

THE WHIFF of cordite that has hung over the General Certificate of Secondary Education ever since its introduction refuses to disperse. Just when it seems that the exam is about to join the settled educational mainstream a fresh volley of scepticism is fired in its direction and battle is once more joined.

Most recently GCSE has run the gauntlet of prime ministerial displeasure. In a speech to the Centre for Policy Studies last month setting out the government's educational agenda for the 1990s, John Major concentrated his criticism on the exam's coursework content. "I am attracted to the idea that, for most subjects, a maximum of 20 per cent of the marks should be obtainable from coursework," he said.

John Murrell, managing governor of Gabbitts Truman and Thring, an educational consultancy group, is an enthusiastic advocate of GCSE. "I remain wholeheartedly in favour of GCSE. If you measure it by strict academic criteria the level of attainment is roughly half-a-year lower than O-level was. That is the difficulty with GCSE - it doesn't give children sufficient time to get to the standard within A-level."

Murrell sees the exam's dependence on coursework as its true value - "which is frankly why when John Major said we've got to cut that down to 20 per cent he gave me grave cause for concern. It's just possible he was saying it deliberately tongue in cheek to stir things up. I hope so."

While the question of coursework is a continuing irritant in the debate, grades achieved by students since they first sat the exam in 1988 should be a neutral measuring rod of its quality. In practice they are not. Both sides see the steady overall rise in grades at GCSE, in particular at the pivotal A-C level which is coming to be regarded as a *de facto* pass, as an argument in favour of their case.

The raw figures themselves are indisputable. In maths for instance the proportion of students scoring grade C or higher has risen from 36.1 per cent in 1988 to 38.1 per cent in 1989 and 40 per cent last year. In English the rise has been even steeper - up from 44.1 to 48.2 per cent and reaching 52.4 last year.

Critics regard this as pernicious "grade inflation". In their opinion it merely devalues the UK's education currency.

James Murphy of Lancaster University's Department of Educational Research disagrees - if by standards is meant "the overall educational attainment of the nation".

On that definition the answer to the question, "Have standards slipped?", is a definitive no. The simple fact is that Britain has never been smarter - at least better educated. On conventional measures - GCSEs, A-levels and degrees - more and more youngsters are getting more of each qualification.

Students overall have demonstrated a fair measure of enthusiasm for the exam and it is expected to help boost staying-on rates in

education which scarcely changed during the 1980s. Many schools operate "open" sixth forms with no formal entry stipulations. In practice a rough rule of thumb operates, says Christine Brooks, the headmistress of Bishop's Hatfield girls' school, a smallish (650 pupils) comprehensive in Hertfordshire.

"In order to come back to take three A-levels you ought to be getting five GCSEs at grade C or above. Perhaps if you got four we might consider you doing two A-levels. Personally I would look to the individual child and bend the rules."

John Munch on GCSEs - and beyond

If I thought there were circumstances that justified it," Brooks said.

The 700,000 students around the UK who took GCSEs will find out their results next Thursday. Bishop's Hatfield will be staffed so that teachers can give immediate personal counselling to students. "The most important thing to say at GCSE - and at A-level - is that it is not the end of the world if the results are not as good as hoped for; there is always a way through."

The budding doctor who scrapes through four grade Cs in GCSE is not going to be anything more than a budding doctor. But there is a

huge amount of choice and doors are not normally closed. It's a matter of pitching things at the right level.

That level could be vocational and could be met by a diploma in vocational education. This is a one-year course with no academic entry requirements, and can be taken in school alongside A-levels or as a precursor to Business and Technician Education Council courses, more elaborate vocational training normally offered at further education colleges.

BTEC first certificates and diplomas could lead eventually to degree-level work. For the time being their availability is restricted mainly to further education colleges. Only 73 schools in the country are approved to start the course next term.

Young people who decide at 16 or 17 against sixth-form school education should consider training credits which are being introduced in 11 pilot schemes across the country. These entitle school and college leavers to a £250 annual training grant for up to two years and offer companies up to £2,550 a year towards the cost of training young people who leave full-time education. The size of grants is deliberately weighted in favour of smaller companies (with fewer than 25 employees) which traditionally are least likely to train their own staff.

Chris Wright, managing director of Hertfordshire Training and Enterprise Council, which launched a pilot scheme in April in conjunction with the local education authority, says it will avoid the indiscriminate "blunderbuss" approach of schemes such as Youth Training.

"It is a more sophisticated approach to targeting government funding for training. In the past an awful lot of money that went on government schemes has gone to blue-chip employers which would have done the training anyway."

Comparable pilot schemes have been started in Birmingham, Bradford, Devon and Cornwall, Northumberland, north east Wales, south east Cheshire, south London, Kent and Suffolk, and the Grampian region of Scotland. Inquiries about the scheme should be made through individual TECs or local careers offices.

Roger Wood, head of operations at Hertfordshire TEC, says about 4,000 of the 7,000 leaving full-time education in the county are expected to take up the credits.

Many in government see training credits as the great hope for a better-prepared workforce in the 1990s and beyond.

As Wright puts it: "In many ways it is a difficult time for us. On the other hand the more forward-looking employers recognise that this is exactly the time to increase investment in training."

By the autumn he - and those students seeking training opportunities - will know if these hopes are anything more than pious ones.

THE anxious weeks of waiting are over. The results are through, congratulations and commiserations received, and the inevitable question asked: "What are you going to do now?"

For thousands of students leaving schools, colleges and universities, the question is a daunting one. Well and good if you have a burning ambition to be a doctor, or thrill to the sight of a set of well-ordered accounts. But many people are vaguer about their interests and talents.

There is no shortage of help available, although finding out what will best suit you takes time and effort. School and college libraries are stacked with reference material on everything from astronomy to zoo-keeping. Teachers and careers advisers can offer practical guidance on compiling *curricula vitae*, writing letters of application, and interview techniques. Independent specialists offer psychometric testing and in-depth interviews to help identify suitable areas of interest.

But however useful information and advice may be, what you may need, especially after a long period of study, is some practical experience to help broaden your

Enlightening experience in the East

Marilyn Bentley talks to Katie Bevan who did not know what to do next...

horizons. And it's worth bearing in mind that you need not necessarily be choosing a career for life.

When Katie Bevan graduated from Durham University last year, she had little idea of her future career path. She had made a few half-hearted attempts at applying for jobs, without any particular direction or success. In the careers library she found an advertisement for the Japan Exchange and Teaching (JET) programme, run by the Japanese government. Most participants in the programme are employed as assistant English teachers in Japanese secondary schools.

"Originally I had no interest whatsoever in Japan," confesses Katie. "I'd never really thought about it." But her interest grew as she read more about the country and the programme. She applied, was accepted and left for Japan at the end of July, on a one-year contract.

After a four-day orientation course in Tokyo with the hundreds of other English speaking participants in the scheme, Katie travelled to Yonago City on the island of Honshu. She was employed by the City Hall, assisting Japanese teachers at 11 schools, which she visited for a fortnight at a time, on a rotation basis.

On first meeting their new Western teacher, Katie's pupils reacted with surprise and fascination, particularly to her blonde hair and typically Caucasian appearance. "Where I am it's quite rural," she explains. "They've seen foreigners on TV but they don't really see them in the street very much."

The children, aged 11 to 16, were well behaved and enthusiastic, but regimented in their response to learning. English is a core subject for entry into high school in Japan, but Katie found the students could speak little English, even after having

studied it for years. "They are working constantly for examinations, but it's all geared to listening and writing down, not questioning."

At first, she followed the lesson plans. "But I found I was being used mainly as a tape recorder for pronunciation. I try and place more emphasis on communicative activities - interview games, dialogues, role-playing, things like that."

"I try and make my introductions enjoyable. The students are so nervous about speaking English anyway that if they feel more at ease with you, they're more likely to try and communicate. My role is mainly motivation, to show that speaking the language can be fun, a part of meeting foreigners and communicating with them."

The JET programme expects participants to be cultural ambassadors for their countries. A committed and professional attitude is essential, as is adapting to the

Japanese way of living. "It's the only way to get on," says Katie. "You have to blend in and accept the way things are run. The group mentality is very important."

Katie finds the Japanese hospitable, but the native English speakers in the area form the focus of her social life. "I think, in a way, we need each other. We spend most of our time together at weekends, and we go out in groups. There are always Japanese people who come along, but they tend to be the fluent English speakers."

"I find there's a lot to do. My friends, the shops, the schools, are all within cycling distance. Most people in my city have bikes. It's the most convenient way to get around. I cycle to work every day. There's a beach about 30 minutes by bicycle. Also there are mountains about 40 minutes away by coach, so we can go there, skiing. We go shopping, there are cinemas, lots of bars, and restaurants with different types

of food. I have a Japanese lesson once a week, and I've joined a Japanese choir!"

The work is not arduous - Katie teaches about three lessons a day - and, at ¥3,600,000 per annum tax free (about £15,000), it's quite well paid. "The salary is very good. It's enough to live on, to go out a lot, eat out, to travel, even to save a little."

Katie has decided to renew her contract for another year, and is considering a career teaching English as a foreign language. "I find I've got a bit of a wanderlust," she says.

Her experience in Japan has helped her gain a perspective on her future. "For me, it's been completely positive. At first I was a little worried that I should be settling into a career. But I've met so many people in Japan who are older, and there just doesn't seem to me to be any rush any more. If you're enjoying yourself and you're making some money, carry on."

The JET programme is open to all graduates and contracts may be renewed for a maximum of three years. For further information, contact: The JET Programme Desk, Council on International Educational Exchange, 33 Seymour Place, London W1E 6AT. 071-224-8896

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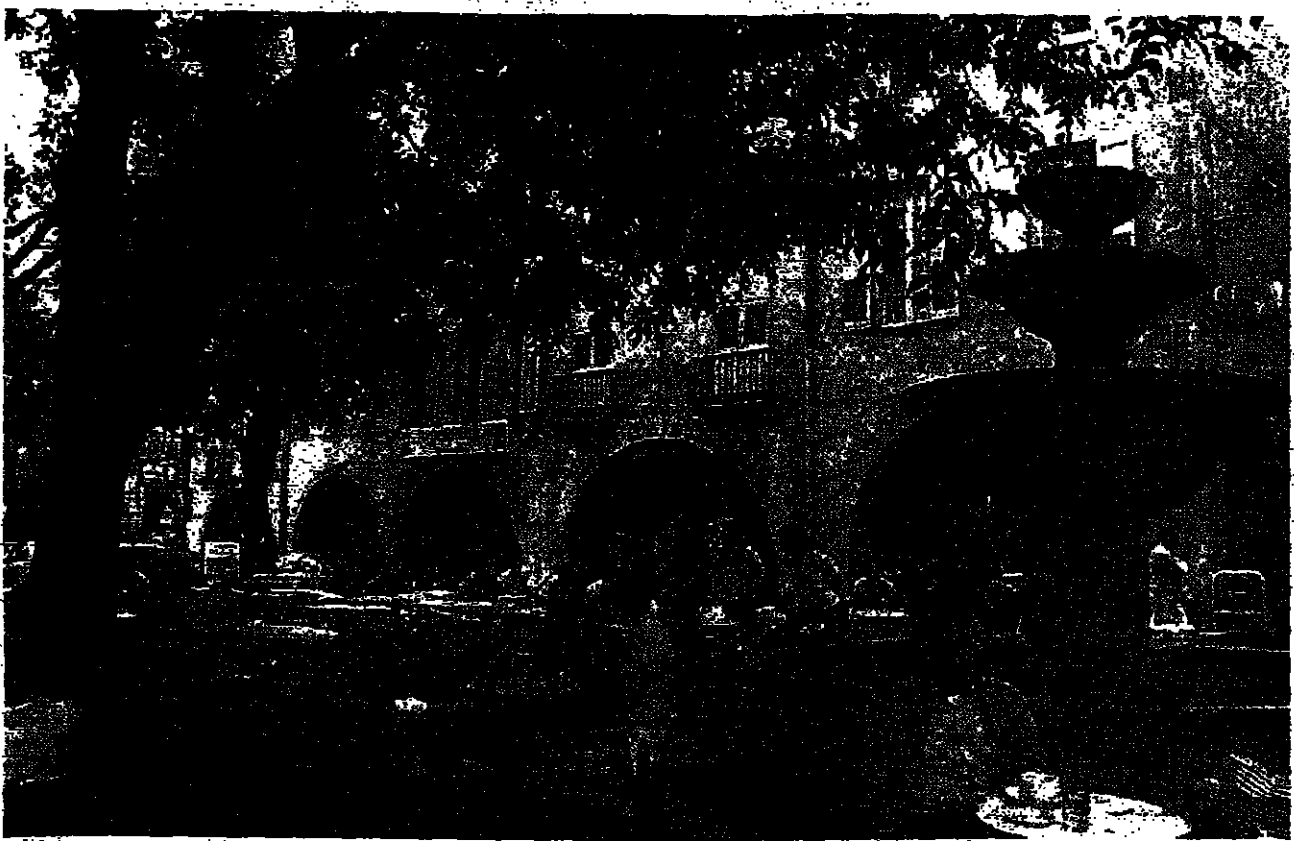
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COURSES AND CAREERS - WEEKEND FT SPECIAL REPORT



The joy of going native

Marilyn Bentley reports on learning languages in situ

TODAY'S school and college leavers face a multilingual future. The approach of the European Single Market has concentrated the minds even of the notoriously monolingual British. Foreign languages, like computer literacy, are becoming increasingly important as a core skill.

The breathing space between A-levels and further training or employment can be an ideal opportunity to increase foreign language competence.

Studying abroad has an obvious appeal. "The students like it because it gives them a chance to travel, and the parents recognise that it's a positive thing to do with the time," says Katherine Brand, director of Cultural and Educational Services Abroad (CESA), which specialises in advising on and arranging language courses in foreign countries. Brand has noticed a marked increase in the numbers of post-A-level students wishing to enhance their language skills before

tackling higher education or the job market. "They're definitely doing it with 1992 in mind," she says.

Even a short period of study surrounded by native speakers can do more for your fluency than any amount of slaving over a grammar book. Speaking a different language is more than remembering vocabulary and syntax. It requires a voluntary change of psychology - as one Frenchman put it, taking off your English jacket and putting on one of *francophonie*. And if you can do your French vest - or German *lederhosen* or a Japanese kimono, for that matter - in a holiday atmosphere, so much the better.

There has never been a wider selection of courses on offer, and the choice can be bewildering. CESA's Katherine Brand keeps an eye on her providers and encourages continuous feedback from clients, so the advice she offers is up to date and well-informed. Most European languages are

Alghieri, in Florence. The school is housed in a 15th century palazzo near the Ponte Vecchio. Language instruction in classes of about 10 to 12 occupies the mornings, followed by cultural programmes which include literature, art history and politics, as well as Tuscan cooking.

All lectures are given in Italian, so if your knowledge is limited to *Nessun dorma*, opt for the beginners' language component alone and enjoy your afternoon sightseeing instead. Tuition fees vary depending on the number of hours you choose to study. The CII is non-residential, but the school will arrange accommodation in a hotel, pensione or with a family.

The experience of living with a family particularly benefits young learners, transforming classroom knowledge into a living means of communication. Host families are accustomed to making visitors welcome, helping to reinforce language studies and allowing an insight into the life and culture of the country.

Staying in the home of complete strangers who will not speak your native language even if they can may naturally give rise to concern, so a trustworthy introduction is essential.

Ann Sachs runs Continental Connections, arranging exchange visits, mostly between Britain and France, for young people. Hers is a personal service, paying careful attention to the home backgrounds, ages and interests of the participants, with optional topics such as German literature and music available in the evenings, while the afternoons are devoted to the slopes.

Hans Kienhuth, director of DIZ, and his brother instruct the ski parties, with Hans accompanying the more experienced and intrepid. "We ski everything," he says, "the more nerve-tickling the better - skiing where you normally only find mountain goats."

Your newly-acquired fluency in German will no doubt come in handy when you have to explain what you have broken. Tuition and half-board accommodation cost £306 per week, excluding travel and ski expenses, and insurance.

If breaking eggs appeals more strongly than breaking legs, you might enjoy learning how to make authentic Italian pasta and *framida*, at the Centro Linguistico Italiano Dante

Making the grade - second time around

THOSE NASTY brown envelopes have started to arrive. On Thursday Britain's five examining boards published this summer's A-level results - now postmen are delivering the good and the bad news.

For some the letters will bring a shock. Fifteen years ago the brown envelope fell on to my mat. It might as well have been black. All I had to show for five years of expensive public school education was three very indifferent A-levels. I called Gabbittas Thring, "educational counselling."

John Trevis, the managing director for Gabbittas Thring and Thring, as it has become, is prepared for the August deluge. "I think that students get a bit disgruntled," he said. "Suddenly in August they give rise to concern, so a trustworthy introduction is essential."

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efficiently placed at other colleges. But how much security do prospective students have? There is nothing to stop anyone who wants to teach students over the age of 16, setting up a tutorial college.

Among the other colleges I visited was a new one in a sparsely furnished period house in London's Holland Park, where one of the two brothers who had set it up scared me off with his intensity.

Last week, armed with GTT's latest list, I visited two of the largest tutorial colleges, Lansdowne Independent Sixth Form College and Mander Portman Woodward. Both are in a part of west London where crammers are tightly bunched. Both give every appearance of

notice is the university environment," Templeton said.

MPW was also founded in the mid-70s. It has 750 students, 500 in London and the rest at its branches in Birmingham, Cambridge and Bristol. "We occupy a niche for people for whom the conventional system does not seem to work," said Roger Potter, principal.

Both colleges have benefited from increased demand from students taking their A-levels for the first time. More parents are prepared to allow children to make their own choice of school: their faith in a "well-rounded" education has declined and desire for results has increased. "Parents," said Templeton, "are paying for grade improvements."

On short retakes Lansdowne students gain, on average, a two-grade improvement per subject. But then, as Templeton pointed out, "on the law of probabilities students will do better. We have smaller classes and more intensive methods."

A-level classes at both colleges are small, never larger than seven at MPW. Students doing three A-levels can expect a 40-hour workload. MPW occasionally mixes students doing retakes with those taking A-levels for the first time. Lansdowne does not because, said Templeton, "the students they need different tuition."

For retakes Lansdowne uses "happy, zappy motivators" while two-year students are given "activity based learning" - very different from the traditional approach of public schools. Both emphasise exam technique. "There is an emphasis on controlling exams. Some have a lot of nerves, especially retakes," said Templeton.

There are drawbacks. Universities, said Templeton, will almost always require higher A-level grades than retakers. The second is the cost. Tutorial colleges are generally expensive: three January retakes at MPW cost just over £4,000.

Gabbittas Thring and Thring, Broughton House, 6-8 Saville St, London W1X 2BB, 071-734-0161. Lansdowne Independent Sixth Form College, 7-9 Palace Gate, London W8 5LS, 071-551-3307 or 071-551-4866. Mander Portman Woodward, 5 Wetherby Place, London SW7 4NX, 071-835-1355.

Seeking a crammer? Peter Berlin looks at the options

successful businesses.

Lansdowne has 450 students. It also owns Duff Miller, another tutorial college, and Huron University, a small US liberal arts university which now has 15 years on campus. "We paid in the millions for Huron; dollars not pounds," said Paul Templeton, head of Lansdowne. As he held forth on his teaching philosophy I had a flash of *deja vu*. This was the man who had so terrified me 15 years earlier. Maybe the intervening years have mellowed him - or toughened me. What had seemed like a terrifying intensity is now an endearing enthusiasm. As for the spartan feel, "the decorators hadn't arrived."

The Lansdowne empire is in Palace Gate, a prestigious address by Hyde Park. However, the volume of traffic and the commercial uses of the offices gives the otherwise impressive buildings a shabby air. The pink-panelled rooms have the feel of a small, down-market university. But, in some ways, that is what Lansdowne is striving for.

"We felt that if you treat students as young adults they respond well. The thing they

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TRAVEL/MOTORING

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Teresa McLean delights in the luxury of Chatsworth House and is intoxicated by the open spaces of the Peak District

THE WIND cuts in Derbyshire. Cutting, howling, storming wind, sometimes dry, usually wet, always cold. Derbyshire is a beautiful county in a wild and windswept sort of way, but you would be mad to go there in anything that could be called winter or spring without a heavy coat, layers of warm clothes, gloves, scarves, boots, thick socks and a woolly hat to ward off the wind. Summer is sometimes different.

We started our few days there after Easter by meeting my parents at Derby station, a building that is singularly hard to find because there are hardly any signs to show where it is. As we drove round the town, flurries of rain blowing on to the windscreens, the only signs seemed to be on the grim, brick chapels which abound in Derbyshire.

Having eventually found the station and my parents, we drove north, towards the Peak District. It starts suddenly. About 10 miles north of Derby the landscape changes from low hills to high, craggy ones criss-crossed with grey stone walls and cut through by steep river valleys. There are limestone quarries everywhere, most of them disused, giving the countryside a haunted air and a certain bleak beauty, echoed by the sound of the wind constantly moaning.

There are lots of small farms. They are perched on hillsides and hilltops, the farmers keeping sheep, pigs, goats and assorted fowl, growing a few vegetables and, as the owner of our small hotel explained, almost all of them doing a second job in order to survive. Many of them offer accommodation to visitors and tourists, as did our host and his wife.

We had struck it lucky with our hotel, Quarnford Lodge - a kind of modern medieval folly with monastic undertones. It was built about 20 years ago to look like the ruins of a substantial medieval house, complete with fragments of household buildings, ruined walls and ruined gateways outside and late medieval arches and windows inside.

It had its quota of hens and geese wandering round the field behind it, so the breakfast eggs were lovely and fresh. The proprietor, Mr Hemmings, had spent most of his working



Chatsworth House: everything about it is grand in the grandest possible manner

life selling chemicals to farmers, so he knows where not to buy his meat and vegetables. The food he serves is simple, chemical-free, well cooked and delicious, in the roast beef rather than the Aubergine-and-walnut-mousse style.

Best of all, there were two huge open fires, big enough to hold whole branches at a time, which crackled away in the fireplace behind us while we dined and dined.

The next day we ventured out. You could walk the Derby-

shire hills and moors for days without meeting another living creature except moorland birds and huddles of cold sheep. If you are not there in the summer, the safest plan is probably to walk, as we did, in short bursts, keeping a refuge within close range. We chose Chatsworth House as our first refuge and it was an awesome experience. Chatsworth is not just grand; every one of its priceless paintings, every dinner service in every dining room, every book in its 50,000-

book library, is in the grandest possible manner. The moment you enter its grounds you know you are in a world of incomparable nobility. The 6th Duke of Devonshire had a vast reservoir, the Emperor Lake, built on top of the hill east of the house to supply water for Joseph Paxton's Emperor fountain, one of the many adornments in the new gardens Paxton was hired from 1828-1844 to design and lay out to the Duke's taste. One day is hopelessly inadequate for looking at splendour on this scale, and the carriage-house has been converted into a restaurant and coffee-house for those who begin to flag. There is a gift-shop where you can buy everything from pre-Raphaelite paper table napkins to Chatsworth playing cards and expensive biscuits. A hail-storm stopped us making much progress into the gardens or parkland. Two of our party found shelter in the hollow trunk of one of the dead elm trees which are every-

where to be seen. The rest of us returned to the carriage-house. Once outside the Chatsworth estate, the rocks and tumbling rivers of the outside world come as a shock. There are spectacular walks on all sides and dramatic scenery, quiet and empty. Only an abandoned railway line every so often, a scattering of old quarries and a maze of stone walls left over from the time of the enclosures remind you that other people were there before you.

Intoxicated by all this open space, we took the unhappy decision to go to Leek, a few miles across the border in Staffordshire, for a bit of urban companionship. Thursday is not the day to go to Leek. Its dark red Staffordshire stone buildings, covered in sooty dust, are depressing - dreary little clothes shops with 1960s dresses and thick stockings in the window. Everything was closed. The only thing open in the market was a stall with some tired

fruit and no-one to sell it. The bitter wind and rain drove us into a truly horrific pub with "Liver and Onions £2.50" written on a blackboard next to an artificial fire in the bar. There were four men on a bench, two old and bald, without a tooth between them; two young and thick-necked; all of them speechless, watching us. We left Leek for Buxton. It is a small town, proud of its outspoken character. Famous for its waters in Elizabethan days; it was made into a fashionable spa town by the 5th Duke of Devonshire, who wanted it to be a second Bath. It boasts a large, working opera house; a fine late-18th century crescent and assembly room in the Adam style; enormous, stately hotels; extensive town gardens; prosperous Victorian buildings and a delicatessen selling Buxton Blue, the rich, Silken-like local cheese.

Nearby Bakewell is smaller and humbler than Buxton but, like Buxton, is friendly and delightful, the perfect place for the second-hand bookshop we found in one of its climbing, curving streets. If you go through Bakewell and keep in the mood by taking the most minor of Ordnance Survey routes through fens and across farm tracks, you come to Haddon Hall, the perfect, romantic family house, an antidote to Chatsworth, a gorgeous farewell to Derbyshire.

The Vernon family acquired Haddon Hall by marriage in 1170, but the house as it stands today is mainly late medieval with extensive 16th and early 17th century alterations and additions.

Among other gems it has an exquisite carved long gallery on the site of the room from which Dorothy Vernon escaped during her sister's wedding ball in 1558, through the gardens and across the river, into the arms of her lover, Lord John Manners, who was waiting at midnight for his beautiful love and her beautiful inheritance.

Quarnford Lodge is at Quarnford, Buxton, SK17 0TL, tel: 0298-25565. It is four miles from Buxton, and eight from Leek, on the A53, in the Peak District National Park. Bed & breakfast: £40 to £48 (double room); half-board: £24 to £27 per person only. Evening meal: 7pm-9pm. Access and Visa.

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French win the Fastnet Race in style

FRANCE'S extraordinary victory in the Champagne Mumm Admiral's cup will silence those who say that the 605-mile Fastnet race has no place in a modern in-shore orientated regatta. When the ocean classic started off Cowes last Saturday the French three-boat team lay fourth in the AC points table. Italy led, followed by Britain, with the US third.

In the previous five races the French team had sailed with occasional élan but little consistency. Visually they were winners, each of the yachts being painted in the yellow and gold livery of the sponsoring Corum watch company; but there was no indication that this team would bring home a trophy France has been trying to win since 1959.

Two risky, but correct, judgments on weather patterns and freedom from being covered by the leading teams let *Corum Saphir*, *Corum Rubis* and *Corum Diamant* post a first-second-first result for the Fastnet. *Diamant* was into Plymouth 19 minutes before the first Two-tonners, an incredible achievement for a much smaller yacht in the One-Ton band.

"At the end of the day the Admiral's cup is always won or lost on the Fastnet. And the Fastnet is always won by intuition and experience," said Corum Saphir's navigator, Jean Yves Bernot, as they docked in Plymouth. Certainly there were signs for all to see in the meteorological data, but the other yachts were too busy watching each other.

"We discussed the option of going north at around the same time," commented Mike McIntyre, 1986 Olympic gold medalist in the Star class and skipper of *Junco*, the British 50-footer. *Corum Saphir*, the French 50-footer skippered by Pierre Mas, made her break from the pack early last Monday. As the fleet tacked along a direct line from Land's End to the Rock, Mas headed north. Shortly afterwards, the wind freed up and left *Corum Saphir* reaching towards the Fastnet at nearly 12 knots, while her rivals heat wretchedly against headwinds.

At the Rock she was 45 miles in front of the closest pursuing Fifties, an incredible lead. "No genius. It was obvious from the weatherfax," said Corum Saphir's navigator, Jean Yves Bernot, as they docked in Plymouth. Certainly there were signs for all to see in the meteorological data, but the other yachts were too busy watching each other.

"We discussed the option of going north at around the same time," commented Mike McIntyre, 1986 Olympic gold medalist in the Star class and skipper of *Junco*, the British 50-footer.

"We were just unfortunate in being on the wrong side of the last parking lot. It was the fourth or fifth time in the race that the fleet stopped and turned itself inside out. It's just the roll of the dice," added McIntyre, who finished seventh in the division.

Corum Diamant made her break on the run from the Fastnet to Bishop Rock, the lighthouse off the Scillies. Aboard *Port Pennant*, mainsheet trimmer Chris Mason watched the French boat ignore the current weather and sail a direct line for the Bishop. With light fluky breezes predominating on the return leg to Plymouth, most boats were sailing wide gybing angles to try and maintain boatspeed.

The French move broke all the rules but the gamble paid off in a big way as the fleet converged and turned to port at Land's End. "We ignored the French and worried about the Italians. That's the real story of the race and why they won," mused Andrew Hurst, who did a fine job as late replacement for Jo Richards - a victim of glandular fever caught from his children.

At one point on the dockside in Plymouth it looked as if the US could win if its One-tonner *Vibes* finished third or better. However, when the yacht - current world champion in her class - docked at 17.24pm, she was fifth and the French were already downing the sponsor's press and throwing each other in the dock.

Even if Britain did fail to keep the Admiral's cup, other values were maintained. *Junco* drifted into Plymouth Sound with no-one on deck and a realistically oil-skin-clad dummy dangling by a noose at the end of the spinnaker pole. "You can't lose your sense of humour," said skipper McIntyre.

A COUPLE of weeks ago I referred to the mad axeman of the A21 - the van driver I saw battering a Vauxhall Cavalier with a pick handle and then using it to threaten its owner over some minor traffic dispute.

Robert Farago, of Hampstead, London NW3, wrote to say that he shared my concern about the danger caused by violent drivers. He reckoned, though, that we English (he is American) "are but lambs compared with the lupine lunatics careering down my native Massachusetts roads."

His judgment is that aggressive driving is nothing more than a bad habit. As a professional hypnotist, he puts it like this: Stimulus: driving in car. Response: aggression. Result: a feeling of mastery and domination.

The cure would be the substitution of "a new, positive programme." The scenario would then read like this: Stimulus: driving in car. Response: safe driving. Result: a feeling of calm, quiet confidence.

Command hypnototherapy, says Farago, could make the new behaviour as natural as

the old but the reckless driver has to have incentive to mend his ways. Positive encouragement from someone the driver respected was best and the new behaviour should be rewarded. (But what if the mad axeman's hero figure was Rambo?)

"If a teenager's friends call him a jerk for driving carefully, he'll slip back to his old pattern. If his girl friend tells him how safe she feels while he's driving, welcome to Clean Licencedland," says Farago.

His answer: court-recommended hypnototherapy for reckless drivers. "Perhaps I do live in a dream world, but who wants to live in one where drivers become mad axemen?" he asks.

'The French move broke all the rules but the gamble paid off in a big way'

"But if you're leading, you don't take real fliers."

With *Corum Saphir* so far ahead, the real battle was between *Man-drake*, the Italian 50-footer, and *Junco*. Through the night after rounding the Fastnet they were within four or five boatlengths of each other. "It was fantastic racing, really exciting," said McIntyre.

Off the Lizard peninsula he took *Junco* within 100 metres of the shore, looking for a land breeze. *Man-drake* followed them in. Both boats fell into a windless "hole," drifting while the opposition sailed steadily round them, half-a-mile out to sea.

"We were just unfortunate in being on the wrong side of the last parking lot. It was the fourth or fifth time in the race that the fleet stopped and turned itself inside out. It's just the roll of the dice," added McIntyre, who finished seventh in the division.

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One of the best small power-steered automatics is one of the cheapest - the Daihatsu Charade 1.3, on the road for under £9,000

Automatics no longer waste up to 10 per cent of every litre of fuel put in the tank. Yes, most are slightly thirstier, though some of the latest ones offer virtually the same economy as manual gearboxes. For this there are three reasons: controlling them through the engine's electronic management system; giving their self-changing gearboxes four or five ratios instead of three; and locking the hydraulic torque converter out of action when cruising.

Price is the only snag. Automatic transmissions cost more than manual gearboxes. The smaller and cheaper the car, the greater the premium one has to pay, though it is hard to

see why it should add £1,035 to the price of a Renault Clio, £751 to a Peugeot 309.

No one has done more to bring the benefits of two-pedal, power-steered motoring within reach of private motorists than the Japanese. Run your eye down a list of these easiest-to-drive cars with showroom prices of less than £10,000. All but two - Peugeot 205 and Vauxhall Astra - are either Japanese or Japanese-influenced. (Both the Korean Hyundai and Malaysian Proton use a lot of Mitsubishi technology.)

Daihatsu Charade CX 1.3 £8,545
Mitsubishi Colt 1.5 5-door £9,450
Mitsubishi Colt 1500 £9,327
Peugeot 205 XL 1.6 5-door £9,783

I would not choose any of them for a long motorway journey, though that is not to say they cannot cope perfectly well with a 400 mile (644 kilometre) trip in a day. It is just that you appreciate their benefits more at lower speeds and in crowded traffic. Of course, two-pedal control can be a pearl beyond price when you find yourself caught in a motorway tailback, creeping along for an hour in fits and starts.

Stuart Marshall

Hypnototherapy: a cure for the mad axeman

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HOW TO SPEND IT

For baby faces and mothers' graces

Lucia van der Post presents a seasonal wrap-up of beauty aids, bags for babies, toys for toddlers and the best books for travel reading

WE MAY have been having a quiet summer but all is not quiet on the beauty front. Dear me, behind the scenes the white cream have been feverishly trying to crack the buzz problem of our times - ageing skin (Ah, me).

Shiseido's take a mathematical genius to work out that if we are all living longer then there are many more years in which to sell us wrinkle creams, eye soothers, throat lozenges, brown spot beaters and all the other panaceas for the sorrows that the modern face is heir to. The rewards for the companies that get it right are enormous.

Nobody has put more money and effort into getting it right than Shiseido. Japan's leading cosmetic company, and on August 26 it launches its new line in London and good department stores a range of products that encapsulate all its latest researches into skin care. The collection is called Vital-Perfection, and it is backed by impressive scientific data which those of us without it in relevant subjects cannot really understand. However, I can safely say that for all the daunting scientific pedigree, the range has an appealing simplicity.

The packaging is clean and simple in the extreme - no cut-glass containers, no gilt or fancy come-ons, just simple opaque glass containers with cream tops. The range is limited and is based on the three basics of skin-care: cleansing, softening and moisturising.

What, you may be asking, is therefore new? Shiseido believes that oxidation (the same process that causes the discoloration of a sliced apple or avocado) damages the skin and thus accelerates ageing. Oxidation in turn is accelerated by "free radicals" - the bad buddies of the beauty business - and exposure to ultra violet rays from the sun. With this range Shiseido has found a method of delivering oil-soluble vitamin E and water-soluble vitamin C together (each is known to be of great benefit to skin but until now nobody has found a way of combining them in a stable way) and it believes that this combination helps greatly in both preventing and repairing damage.

For cynics who still wonder whether the whole beauty business isn't a vast plot to persuade us to buy expensive stuff when any old cream would do, Shiseido offers every customer the chance to have her skin analysed (it's computer-based and you get a photograph - so no cheating) and then to come back three weeks later and see whether it has been improved. So far all the evidence is that the customer can tell the difference. The simplest starter kit would cost \$66.



Colourful imbricate baskets hand-crafted in wire: £9 to £49

One other piece of advice - one is almost never too young to start protecting the skin. Vital-Perfection may be specifically targeted to counteract aging but the evidence is that the younger the skin, the greater the improvement.

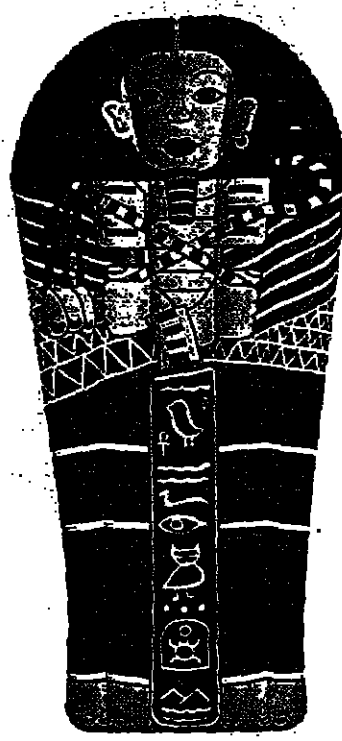
With motherhood, the providers of babygoods seem to assume, comes a softening of the taste-buds, a fondness for cuteness, for twee motifs and a profound devotion to pastels. Lulu Guinness noticed that her friends with babies complained bitterly of the lack of a table baby bag that carried all the myriad things a new baby needs for a mere few hours' away from home AND

looked like something a grown-up person might not be ashamed to be seen carrying around. She set about designing a bag, using a gold and black striped cotton fabric designed by Celia Birtwell. It has all the practical elements the new mother needs - a side pocket for bottles, central space for nappies, a detachable padded changing mat and a handle for carrying it. Designed for mothers, it can carry it with pride. Available by mail order from Alison Hargreaves Associates, 51 Hambury Street, London E1 for £49.95 (inclusive of p&p) or from Celia Birtwell's fabric shop at 71 Westbourne Park, London W2 for £47.95.

Anybody who is out on car journeys, aeroplane rides or facing prolonged incarceration with children might think it well worth investing £19.99 in a BratPack. The BratPack is a Frog Trillix answer to what it calls the Sturtus Syndrome (Thoroughly Objectionable Child Syndrome) and is a foldaway play pack filled with goodies to keep children between four and eight years old occupied. It unfolds to reveal a series of see-through pockets holding 28 different goodies from shaped scissors to colouring books. Frog Trillix is at 123 Ifield Road, London SW10.

Babies who are in or near the water could bob happily and safely in a pool wearing Helly-Hansen's Mini-Navigator Buoyancy aid. It should also be a must on boats with babies aboard. It is designed so that the baby is turned on to its back with its head resting on the large collar, well clear of the water. There are also safety patches and straps and a carrying handle. £26.50 from Helly-Hansen stockists or to Helly-Hansen direct, 13 Artillery Lane, London E1 Yacht Centre, 99 Fulham Palace Road, London W6 and David Carver Sales, The Boat House, Commercial Road, Penryn, Cornwall.

More ideas to keep the kids out of your hair are to be found at the Museum Store, 37 The Market, The Piazza, Covent Garden, London WC2E 8RF, which markets goodies



Egyptian mummy: £19.99, available at the Museum Store, Covent Garden

from museums all over the world. A pack called Paraphernalia for Pre-tending costs £14.95 and comes from the Metropolitan Museum of Art, New York. Filled with things like theatre tickets, menu cards and sale signs, this is a pack for the imagination.



House portraits by Kate Butcher start at around £175

tive child. Astronaut ice-cream (disgusting, but kids love it) from The Air and Space Museum Washington is more of a phenomenon than a treat for the taste-buds - it reconduces in the mouth, £2.25. There are also old-fashioned games like Spillings and packs of Plastiline. Finally, for those with pools or beaches to lounge around on there is the Egyptian Mummy Lilo (£19.99) from the Museum of Fine Arts, Boston.

Also from the Museum Store but not so much for children - more for those looking for unusual presents - are colourful imbricate baskets traditionally woven from telephone wire by Zulu nightwatchmen and also stocked by The Museum of Mankind. Bold, rich and varied they make ideal repositories for fruits and vegetables, collections of any kind, jewellery, beads or make-up. Prices range from £9 to £49.

If you are short of time and about to go off on holiday to some destination you know all too little about then Books For Travel can help you. You give them a ring (071-381-6536 or fax 071-381-6535) or better still send a postcard (PO Box 1287, London SW5 1JQ), tell them where you are going and what your interests are and they will put together a suggested book pack.

A typical list might include a guidebook, map, phrase book, a history of the country or area, an architectural book, a travelogue and couple of relevant novels. You then tick the books you would like, send a cheque for the cost of the books, plus postage and packing, and a lovely package arrives a few days later. A wonderful service for those who lack the time either to do all the research themselves or to track down the books. The whole point of the exercise is that it is personal - if you are, say, passionately interested in gardens and hate museums, then you get a reading pack to suit. As I'm shortly off to Africa I tried them out on Botswana and was given an excellent list.

Kate Butcher creates charming house portraits which she then presents to you in the form you fancy - a straightforward portrait or printed up as postcards. As you can see from the postcard printed left her style is sweetly innocent, filled with naïf simplicity and charm. All in full colour, prices vary depending upon the time taken. House portraits start at £175 for a small house. A thousand postcards with your address on the back cost £225. Contact Kate Butcher on 071-228-7675.



Top: a tote bag to satisfy both baby and mother; this practical idea from Lulu Guinness is around £47. Above and left: potential life-savers from Helly-Hansen, the baby buoyancy aid is £26.50 and the Doggy Aid costs £24.50

FOOD & DRINK

style

Jewel in the culinary crown

Why is London full of Indian restaurants? Nicholas Lander explains

LONDON probably has the highest concentration of Indian restaurants outside of the Indian sub-continent itself. I have spotted many French brasseries in my part of town, even an "oriental brasserie" and plenty of cafes and pubs. But by far the biggest single group of restaurants is Indian.

I counted no fewer than 14 inside two square miles. While the new wave of talented British chefs is busily catching up with counterparts in Europe and California, any visitor to the UK who is interested in original cooking should not leave without trying at least some of the delicious Indian food on offer.

The roots of this plethora of restaurants - and even the office of the High Commissioner for India in London was at a loss to put a figure on just how many there might be in the UK - go back to the 15th century when Romany gipsies, descendants of the nomadic tribes of north-west India, first arrived in Britain.

As India became the jewel in the crown of the British Empire she influenced its food with such dishes as mulligatawny soup and kedgeree. Eminent food writer, who wrote this in *Curries and Bangles* - a cookbook of the British Raj (Viking £16.99), and last year Chutney Mary opened just off Kings Road, Chelsea, to serve this style of food (071-351-3113).

During the 19th century one landed area of Bengal, Sylhet, obtained the monopoly on supplying cooks to the boats calling at Indian ports. After disembarking in London's docklands many ship's cooks set up small eating-houses and, in spite of successive waves of Asian immigrants from India and Africa, 96 per cent of Indian restaurants today are owned and run by Bengalis.

What these newcomers have provided, however, is the manpower to run the restaurants. Indians place great emphasis on the family and this basic unit has cooked, waited and then washed up in many restaurants throughout the UK. It has also enabled many Indian restaurants to open seven days a week and to stay open when other restaurants are closed - hence the custom of "falling into the curry house" after the pubs shut.



Mujibur Rahman, manager of the Jamdani, shows off his wares

Such an economical workforce will enable many Indian restaurants to survive the recession. So too will their relatively low cost base. Aside from a tandoori oven, Indian cooking requires little of the expensive culinary equipment which can hinder the financial well-being of a new French or new-wave Italian restaurant. Nor, with only one or two exceptions, has the interior design of any Indian restaurant ever been its selling point.

Two other factors should entice more people to the bet-

ter Indian restaurants today. The first is the vogue for regional cooking, a fashion which must reach its apogee on the Indian sub-continent.

The religious differences which so sadly pull the country in so many ways force India's chefs to be highly inventive: orthodox Hindus will not eat meat, Muslims neither pork nor shellfish. Parsis are highly resourceful with eggs, while the wide variety of fish from India's coastlines adds a further dimension.

Mughal cooking introduced the tandoori oven and the 13 classic curry spices and flavours - ginger, garlic, onion, cumin, turmeric, coriander, red and green chilli, cardamom, cinnamon, cloves, nutmeg and black pepper.

The second factor is the trend in Britain towards, if not vegetarianism, then a growing appreciation of vegetable dishes. Many Indian vegetarian restaurants are known as "bhel poori houses" after the dish of crisp, whole wheat bread which at its most basic, is served with potatoes, onions and fresh coriander.

Among the most consistent in London are Vijay NW6 (071-328-1087), Sabras NW10 (081-459-0340), the Diwana Bhel Poori House close to Euston, NW1 (071-387-5556) and the Mander W1 (071-323-0660).

One man has almost single-handedly raised the profile of Indian restaurants in central London since the late 1970s. Azim Ali originally came from Sylhet, now in Bangladesh, to London to study but was so depressed by the state of the Indian restaurants he found here that he realised the scope for improvement.

In 1977, with a loan of £80,000 guaranteed by Camden Council, Ali formed a co-operative which in 1979 opened The Last Days of the Raj. Ali left in 1981 to open Lal Qila on Tottenham Court Road, W1, (071-387-4570) and then in 1983 he moved into Soho with the Red Fort (071-437-2410) where he showed just how versatile the tandoori oven can be by cooking duck and quail to great effect.

Most impressively, in 1987 he opened Jamdani in Charlotte Street, W1, (071-636-1178). Here he tried to ally many of the misconceptions that still haunt Indian cooking; that it is stodgy and too hot to give pleasure and that it had to be eaten in dark rooms covered with flock wallpaper. At Jamdani he employed the upmarket designers Fitch and Co.

As to which is actually the best Indian restaurant, it is hard to say. Among connoisseurs they arouse as much passion as their more-publicised French counterparts. Other than those I have already mentioned my London favourites would include the Rajdoot W6 (071-748-7345), Kundan SW1 (071-834-9434) and Gopal's of Soho (071-434-1821).



Bill Rattler (left) in Corkscrew Wines with its new owner, Laurie Scott

The art of the slow deal

I AM very worried about the state of the wine trade in Britain. Bill Rattler has just opted out of it. I realise now that I had always seen him as a bit of a raven at the Tower of London: if he leaves, things must be bad.

My last visit to his wine warehouse in Carlisle, Cumbria, gives you some idea of his management style. When I drew up at his railway arch under the main Euston-Scotland line it was 11am on a Saturday, potentially a good time for wine sales, I would have thought. The place was firmly shuttered, the only sign that it might ever open again being a bit of torn cardboard on which had been scrawled in red felt tip pen: "Back in 10 minutes".

Ten minutes later in Marks & Spencer, Carlisle's Cashbar, someone grunted at me. It was Bill Rattler, tall, wearing dozzin and speaking very slowly as usual, but otherwise entirely unlike a sharp-shooter. I explained I really rather wanted to buy some wine from him - if it wasn't too much trouble. He had just "popped out", he said, for something to eat. He ventured that he might be back at Rattler's Wine Warehouse in, needless to say, "about 10 minutes" before ambling off in the opposite direction.

It was about seven years ago, when he was 27, that Bill Rattler set up shop as a wine merchant or, as he puts it, "it was a hobby-type thing that just took over". One would normally say that he had "got the bug" or become a wine enthusiast because he has operated with admirable single-mindedness and dedication to wine, but these expressions suggest an urgency that is entirely lacking in Rattler.

The hallmarks of his business have been readily apparent: somnolence, and a dogged refusal to pander to anyone else, particularly customers and most especially those who might type into his arch asking for Liebfraumilch or Mateus Rosé. "Housewives? I frighten the life out of

them I think," he told me, a proud grin under his cherubic curls.

He has certainly forfeited many a sale by seeming downright rude to those who do not happen to share his love of wine, but others have loved him for his habit of painstakingly writing out in his tatty invoice book the name of every wine bought, adding up the total on a calculator and then muttering: "Oh, call it 250."

On one visit my attention was caught by a substantial lot of cheap Gascon 1989 white. "Is it on the way down?" I wanted to know. "It was never there," he said. "I haven't the heart to sell it to anyone."

Instead of doing anything as nam-

Jancis Robinson mourns the 'retirement' of wine dealer Bill Rattler

by-pammy as courting custom, he has basically used his seven years in the trade to educate his palate so that it favours things like 12 bottles from Australia and 20 bottles from Italy - not exactly what Carlisle has been waiting for.

It is just as well then that he is happy to take a "quite ridiculous" amount of stock "that I couldn't bear to be parted from but aren't open" as part of the purchase price for his business from Laurie Scott, a dapper businessman from the south who has turned Rattler's Wine Warehouse into Corkscrew Wines - complete with Liebfraumilch.

State much of Cumbrian society would like to know just how much Scott paid Rattler for this business in an arch - where would the wine trade be without the British Rail Property Board? - I did my best to find out, without breaking the local rules about asking direct questions.

Bill, a farmer's son, had apparently used the proceeds of a previous career in a fish and chip shop - "very character building" - to fund his wine business. I asked him whether the wine warehouse had been a financial success, a question he clearly needed some time to think about. "Well I suppose I'm back to square one in terms of capital, if I take into account what I've drunk or taken out of the business," he told me reluctantly, standing by his dusty cash desk for the last time. And what might his start-up costs be today?

"About £15,000 for stock. The rent's been £2,500 a year, rates about £1,300... You mean including fixtures and fittings?" He looked around the bare shell in which he had piled his wine boxes and gave another slow grin. "Well, I never really did anything, I suppose."

The irony is that, while the rest of the British wine trade is experiencing its worst decline in living memory, things were just starting to go right for Rattler, Carlisle's only independent wine retailer. The year between the start and conclusion of his sale to Laurie and Jenny Scott was his best ever, a fact that might make another man think twice about giving in to a seven-year itch. But "I fancy getting into something foodie," he says of his long term plans. He has quite enough to drink over the short and medium term, after all.

I was there as the new purchaser strode back from the licensing clerk to take over the arch from its previous shambling incumbent. As luck would have it one of those housewives put her nose in and drew from her handbag a label soaked off on holiday. It had been a fizzy, pink, sparkling Muscat. Did they have anything like it?

The Scotts immediately got to work, energetically cross-selling, but students of body language would have enjoyed the way Rattler put his hand in his pocket...

BOOKS

Columbus returns to terra firma

A new biography debunks some of the myths that have grown up around the great navigator. And not before time, says Ian Thomson

SOON AFTER Baby Doc fled Haiti in February 1986, a two-ton statue of Christopher Columbus was toppled into the sea at the capital of Port-au-Prince. The plinth of this stone memorial – all that remains of our Genoese navigator – stands within a short distance of the US Embassy. Pitching Columbus into a watery grave was Politically Correct, a gesture against colonial interference in the affairs of Latin America.

This was a prelude to the brouhaha that would explode in the build-up to the fifth centenary celebrations of Columbus. The discovery of the Americas in 1492 will no doubt serve as a hieroglyph for the despoliation of nature and the corruption of natural man. Harold Pinter has argued as much at the House of Commons: over in Cuba, Fidel Castro has proclaimed himself an Honorary Indian and denounced the Conquistadores as ecological terrorists. Things were very different with the quatercentenary of 1892. Anton Dvofak conducted the debut of his *New World* symphony at Carnegie Hall; James Fenimore Cooper published his Columbus novel *Mercedes of Castile*; on Seventh Avenue they unveiled a statue at the crossroads with Broadway and named it Columbus Circle.

It is refreshing, as we prepare for the revisionist gloom of the quatercentenary, to find a biography of Columbus which takes no moral high ground on matters ecological or political; which seeks only to cover the essentials with becoming brevity, and to set the record

straight with a minimum of philosophical flimflam. Felipe Fernández-Armesto is a fellow of St Anthony's College, Oxford, and knows what he is talking about. The man who emerges from the pages of *Columbus* is a world away from the Master of the Ocean Blue familiar to every schoolchild; rather, here is a vulnerable figure of vaulting ambition who was decidedly cagey about the lowliness of his origins (he suppressed all mention of his Genoese weaver-father), yet confident that he had a personal covenant with God. Columbus was indeed prone to providential and Messianic delusions; his habit of ferreting for scriptural prophecies of his own

COLUMBUS
by Felipe
Fernández-Armesto
Oxford £16.95, 216 pages

work, the belief that he might help his patrons Ferdinand and Isabella to conquer Jerusalem before the End of the World – all point to a man who was in equal measure millenarian fantasist and scientific cosmographer, as much a prey to heavenly visions as to oceanic derring-do.

For five hundred years, Columbus historiography has dabbled in undisciplined speculations, errors and false impressions. The great strength of this biography is that its sources are impeccable; Fernández-Armesto has been diligent in his consultation of the marginal annotations which Columbus scrawled over his own books,

(preserved in a library adjacent to Seville cathedral), and he is sceptical of Bartolomé de Las Casas, the 16th-century missionary philanthropist whose writing has been fundamental to all modern exaggerations of Columbus.

From these and other authorities, Fernández-Armesto builds a portrait of the navigator which is anchored in the context of the world in which he lived. The chapters which chart the first Atlantic crossing in 1492 are exemplary. They show how every element in the thinking that underlay this enterprise was part of the common currency of geographical debate in Latin Christendom at the time. Columbus adhered to Ptolemy's view that the world was a perfect sphere (it is nonsense to believe that the council of Castilian elders employed to scrutinise his original plans for transatlantic travel ever thought the world was flat), and that it was possible to pass from western Europe to eastern Asia across the Atlantic. To the end of his life, Columbus persisted in the illusion that he had found a short route to the east. He was also convinced that Cuba was a promontory of China, or perhaps the mythical land of Cipangu – Japan. These beliefs were substantiated by readings of Strabo and Pliny, Marco Polo and Macrobius.

It is fashionable among revisionist historians to claim that Columbus was an ignoramus, a second-rate seaman, who bled into the New World through pure dumb luck. Fernández-Armesto will have little of this. Dead-reckoning and celestial observation were the

primitive methods of orientation; irregular time was kept by sand-filled hour-glasses. This only contributes to the crowning achievement of Columbus, which was to find the first commercially exploitable route to a new continent separate from the Eurasian land-mass.

Fernández-Armesto is at some pains to debunk Christopher Columbus's current reputation as an imperialist exploiter. His aim in navigation was largely commercial: gold was the fundamental spur to exploration. The search for mineral treasures inevitably involved slavery, but revisionists are wrong to lay the blame for this on Columbus alone. When we commemorate the sixtieth anniversary in 2002, I suspect that Las Casas will emerge as the real villain of the Ocean Blue. As an alternative to the cruelty of submitting the indigenous peoples of the Caribbean to heavy labour, Father Las Casas suggested to Ferdinand and Isabella the importation of Negroes from other Spanish colonies. To this peculiar twist of philanthropy we owe the first shipment of blacks to the New World and the beginning of all subsequent sorrows in the Americas. But that is another story.

Felipe Fernández-Armesto's *Columbus* will stand as a beacon of light on the mountain of Columbusiana (T-shirts, mugs, movies, tedious dissertations from the University of Radical Chic) which threatens to crush us all. It is very well-written, the research impeccable, and a rattling good read besides. So hats off to Columbus; he deserves a new astroble.



Out of Italy, 1450-1650, by the distinguished French historian Fernand Braudel, is published for the first time in English in a sumptuously illustrated edition (Flammarion, distributed by Thames & Hudson £35, 245 pages). Braudel, who died in 1985,

ranges from the Renaissance through to the Baroque in this analysis of how a handful of Italian cities came to dominate Europe. See here: *St Augustine Teaching Rhetoric and Philosophy at the School of Rome*, by Benozzo Gozzoli.

DESMOND Flower joined the publishing house of Cassell in 1930. He succeeded his father, Sir Newman Flower, as chairman of the company in 1958. He remained in office until 1971. By then he was 65 and Cassell had been taken over by the American publishers Crowell, Collier, Flower.

It was refreshing, as we prepare for the revisionist gloom of the quatercentenary, to find a biography of Columbus which takes no moral high ground on matters ecological or political; which seeks only to cover the essentials with becoming brevity, and to set the record

Fall of the house of Flower

Anthony Curtis leafs through the memoirs of a publishing heir



Desmond Flower, in profile

far too full of trivia. Flower remembers every single thing that ever happened to him – a fatal gift. Or did he keep a detailed journal? Either way the material needed pruning severely. That said, Flower is such a classic case of the publishing heir apparent who took the saddle in the 1930s, cleared all the fences up to and after the war, only to have his horse shot from under him at the end of his story has a certain epic grandeur.

The House of Cassell owed its genesis to the Victorian Non-Conformist conscience and the teetotal movement. John Cassell, an itinerant 19th century odd-job man, stomped about the country holding

open-air meetings and distributing pamphlets to persuade people to sign the pledge. The pamphlets turned into journals like *The Teetotal Times* or *Monthly Temperance Messenger*. For much of his life Cassell was as big in magazine publishing as in books.

After the war, the whole of this magazine empire was sold to the Berry brothers (the newspaper ones), leaving Cassell free to concentrate on general book publishing under Flower père. He was an astute, tough, successful publisher, specialising in military memoirs, fiction beamed at the lending library market, and reference books; but here we see the other side of this multifaceted man, his own creative writing (including three novels), love of music (he wrote a life of Handel), his belief (inherited by his son) in the benefits of frequent visits abroad, his party-piece to recite a poem by William Barnes in a broad Dorset accent.

Sir Newman, as he became, sent young Desmond to school at Lancing where he was a contemporary of Tom Driberg and Evelyn Waugh. Unlike the latter, he loved the place and was a model games-playing school-

boy. Then he was sent to Cologne to learn German. Later he went (against his father's wish) to King's College, Cambridge, where his supervisor was the literary critic F.L. Lucas, who became a friend for life. Then came the business. Then the war, when he was awarded an MC. Then he went back into the business to take charge of a golden age of post-war best-sellers – including Nicholas Monsarrat's *The Cruel Sea* and Churchill's *The History of the War*, on which he worked closely with the great man. Then eventually Flower succeeded to the throne and had many successful years. In 1988 there came a spot of bother – the libel action brought by David Irving's *The Story of the PQ17*, which Broome eventually won.

Through this was a hugely costly, time-consuming business, Flower still insists that it did not contribute to his loss of control of his company. That, he explains, was the result of a place of financial prudence on his part. He established a trust fund into which he put all of his considerable share-holding in Cassell for the benefit of his family on his death. When the takeover offer came the trustees studied it and recommended the sale of these shares – a recommendation Flower was powerless to oppose. From which one can only conclude that they would not have recommended acceptance if all had been entirely well with the company.

Apart from his publishing, the author has spent much of his life travelling abroad. There are accounts of his visits to France, Spain, Iceland, Canada. There are also sections on a variety of sports in which he has seriously participated – fencing and golf are particular favourites. He describes a round of golf with the Duke of Windsor, whose book he published. Both had handicaps of eight. Flower refused to concede a six-inch putt, to the silent fury of his royal opponent – who then missed the putt.

Music is another passion, likewise book-collecting; he is a leading authority on the first editions of Voltaire and Ernest Dowson, a member of the Roxburgh Club, the Double Crown Club, the First Edition Club (now defunct), the Wine and Food Society, the Saintsbury (of limited membership and dedicated to the drinking of the finest wines). Last but not least there are lengthy pen-trails of the three women whom at different times Flower has married. Flower will be 84 on the 25th of this month. Many happy returns, Desmond.

WHEN I SAY that Martha Nussbaum's *The Fragility of Goodness* was one of my favourite books from the last 10 years, you will sympathise with my disappointment at feeling ever so slightly let-down by its successor, *Love's Knowledge*.

Fragility was a triumph. Dispersing with today's misguided fashion for academic specialisation, Nussbaum read Greek philosophy and literature, from Aeschylus to Aristotle, with a profound understanding of the conversation of ideas passing between them. And how modern it all sounded!

Here at last was philosophy which spoke for the way people lived. Forget Kant's moral imperative and the ideological baggage of rules and duties. What the Greeks understood was that the moral life was an adventure, in which love and friendship (life's richest goods, according to Aristotle) were precious almost in proportion to their fragility and rarity. All the virtues were dependent on what modern philosophers now call "moral luck" – a trust in people and a readiness to deal with life's unpredictability.

In this latest collection of essays, Nussbaum tries to see if the ancient alliance between literature and philosophy proves as fruitful for modern literary works, through readings of Beckett, Proust, Dickens (*David Copperfield*) and Henry James (*The Princess Casamassima* and *The Golden Bowl*). There are also some further thoughts on Plato and Aristotle.

The result must rank as one of the most original books pub-

LOVE'S KNOWLEDGE: ESSAYS ON PHILOSOPHY AND LITERATURE
by Martha Nussbaum
Oxford £40, 403 pages

lished this year, a hugely stimulating read, which returns us with thoughts refreshed to some of our best-loved authors and brings philosophy back to earth in the process. The reason philosophers have been suspicious of story-tellers goes back to Plato's dismissal of the emotions. The stuff of novels – human joys, hopes and sadnesses – only showed how messy life can be compared with the neatly-manicured mind of the philosopher. Aristotle, Nussbaum's hero, believed otherwise, and his view that moral maturity consists of learning to feel as well as to think appropriately brings us remarkably close to the kind of "educational sentimentality" undergone by many of James's heroines (and by Jane Austen's too, for that matter).

But by drawing the 5th-century Aristotle up through the hour-glass of time, Nussbaum has to make him adopt some fairly astonishing poses. She connects Aristotle's virtue of practical intelligence, what she calls "discernment", with Henry James's ideal of being "richly responsible and finely aware". She calls this a "politics of perception". But unlike Aristotle's moral politics, in which individuals bristle with the claims they always seem to be making on one another, from pride or honour perhaps,

or from anger or injustice, Nussbaum's nice Aristotelians watch, notice, are patient and allow everyone their own private living space. In other words, they resemble liberal American academics.

This partly stems from her problem with Aristotle's virtue of anger. Nussbaum cannot accept this and argues that the novelist's attitude to his characters should be paradigmatic of the moral life. Aristotle would not have approved, nor would many great writers. Think of Shakespeare.

By omitting Aristotle's stress on successful moral action (which only the virtuous know how to bring off), and by only stressing perception, she also runs the risk of aestheticising the moral life – a danger James's novels acknowledge. There is too much about subtlety, rich responsiveness and fine judgment, and not enough about the virtues (for Aristotle, justice, courage, temperance and prudence) they should serve.

There is also a problem about the way she moralises literature, especially something as subtle as late James. Nussbaum says love is the "moral ideal" of *The Golden Bowl*. This is surely too subjective a reading, although it fits with her seemingly utopian ambition to replace the Aristotelian universe with one tuned by Love.

Like the most stimulating conversations, Nussbaum's new book enrages and delights at the same time. Now that at least is Aristotelian!

Mark Archer

Film-makers in flashback

TALKING film-makers in their habitats is an art as delicate as ornithology. One snapped twig, one pair of field-glasses raised rashly to the sun, and whish! – your quarry is off and running. The director man portrayed in his diaries under the title *Modern Nature*, and the Woody Allen of Eric Lax's new biography live in contrasting wildlife reserves. Allen's New York teems with urban anxieties, a safari park for the modern Zeitgeist. Jarman lives in a pitch-blackened cottage on Dungeness beach, as far from civilisation as a Sussex address can get you.

Both these books are written on the wing by authors trying to catch their subject in mid-motion. The fact that Jarman matters no simpler. *Modern Nature* is a wonderful essay in decorative evasion. As if the idea of a commissioned diary were not preposterous enough (the book was proposed by publishers Century), the 20 months Jarman covers are filled with artful flashbacks to his childhood, earlier film career, and homosexual history. Few front-line details about the life, work

and daily thoughts of the director of *Sebastiane*, *Caravaggio* and *The Garden* have been left out. Few things that might reveal a darker, more off-kilter humanity have been left in. This is designer stream-of-consciousness.

Somehow the book still charms and delights. Jarman in prose, as in film, is a heady blend of the missionary and mischievous. In *Modern Nature* he has you purring at his descriptions of local life and flora – much of the book reads like Gilbert White on an away day from Selborne.

He has you gasping at his gay trappings on Hampstead Heath, where his HIV status seems no deterrent to casual sex. The book is fragments masquerading as whole: a patchwork of disparate experiences, unshaped by any received moral creed but clearly shaped by the author's own sensory pantheism. In one August day the Jarman prose drifts from thought-cluster to thought-cluster like a pollinating bee. "Woke before dawn to find Venus framed in my window." "Idiotic phone call from some colour supplement." "The sea has turned perfect blue".

Jarman's gift as a writer, painter and film-maker has always been for doodling and bricolage under a hortatory-heretical style. *Modern Nature*, like his best films (*The Garden*, *Angelic Conversations*), has a perverse cogency even when you feel that the doodles could be arranged in almost any order, and that romantic-anarchic affirmation, if not the only

MODERN NATURE
by Derek Jarman
Century £16.99, 314 pages

WOODY ALLEN
by Eric Lax
Cape £16.99, 377 pages

note Jarman knows, is the only one he allows himself to sound in public.

Woody Allen is as far from a born affirmer as life could provide. The world's most gifted complainer is, happily, or his audiences are, when he whines on comically about late 20th century life. Eric Lax's biography lends a patient ear, perhaps too patient, to Woody's serious-artistic pretensions,

including his love of Bergman (starting with a Damascene viewing of *Summer with Monika* while at school) and his dalliance with serious filmmaking (*September*, *Another Woman*). Lax notes that his subject's philosophical pessimism is no recent development. As early as 1956, he was writing to a friend: "My ideas... lean always to what I call a poetic mood built from existential horror, insanity and death."

No wonder Allen lives in that nesting-ground for neurotics called New York. And no wonder a man who has built a comic persona out of paranoia seldom lets prying writers get too close to him. Lax's book is rich in glimpses, if not in insights. As a confidant with one previous Woody Allen monograph to his name, he knows all the bizarre marginalia. Allen takes his temperature every two hours; he still goes to an analyst, a habit begun in 1959; he writes many of his scripts in hotel rooms on European vacations; his real family name is Konigsberg, just like Immanuel Kant's birthplace; his first and still foremost comic idol is Bob

Hope. Amid the welter of facts and incidents, my favourite is the story of the three-year-old Woody Allen running towards a cinema screen to embrace the characters in *Snow White*. There is a true movie maniac in the making.

As a Boswellian recording angel, Eric Lax does good service. It would be better if he added some speculation-in-depth about Woody Allen, the man and artist. For me, Allen is the funniest postwar comedian, bar none. There is no keener delight than watching him deliver his gags, preceded by their foreplay of tics and stammers and shrugs. Shaped by the 20th century, Allen has returned the favour by shaping our view of the 20th century. Few of us can look for long on its icons and demons – from Hitler to psychoanalysis, sexual liberation to cultural oneupmanship – without hearing that fretful, hilarious voice. As a summary of Allen's life and career to date, this book covers the ground. But it leaves plenty of imaginative digging to be done by later writers.

Nigel Andrews

More sind against...

ARTHUR Koestler wrote: "If the creator had a purpose in life, he would equip us with a neck, surely he meant us to stick it out." If ever there was a man who stuck his neck out, it was General Sir Charles Napier (1781-1853). His fame, call it notoriety, rests on his conquest of Sind – "We shall take Scinde; and a very useful humane and advantageous piece of rascality it will be," he said. "Peccavi" – "I have sinned" – was the pun he coined and it was to haunt him on both sides of the grave. The denigration began in his lifetime and continued after his death. His brother William wrote a four-volume life of the conquest of Sind to justify his actions. To no avail.

Priscilla Napier accepts the melancholy fact that history has not cared for Charles Napier. Her book is a serious attempt to set the record straight – only to be sacked. Priscilla Napier makes out a good case for her hero, whom she paints, warts and all. The

RAVEN CASTLE: CHARLES NAPIER IN INDIA, 1844-51
by Priscilla Napier
Michael Russell £17.95, 305 pages

tors of the East India Company, the Whig establishment and the British press. In India the cast was equally impressive – the Lawrence brothers, Governor-General Dalhousie, James Outram, John Jacob and the British Indian press. Before coming to India, Charles Napier had a chequered military career. He served in the Peninsular war under Sir John Moore, and was badly wounded at Corunna. He was with Wellington when the Duke entered Paris in 1815. Then in Greece as Resident of Cephalonia, 1824-32, where he got to know Byron. In 1861, he was given an Indian command and became Commander-in-Chief – only to be sacked.

picture we get of Napier is not entirely that of an agreeable individual. No, he didn't go native but he fitted in no imperial slot. Courage he had. Tact he had not.

Tact is among the more slippery virtues and Charles Napier was not a slippery character. He would not compromise and he paid the price. He did not get on with many of his civilian superior officials, for most of whom he had scant respect. He was sympathetic towards the Indian sepoy who in his judgment was not getting a fair deal. Napier saw the 1857 mutiny coming. Dalhousie, the Viceroy did not, although his "reforms" were directly responsible for it.

This exceptionally well-written book sets a wrong right, but does anybody care one way or the other about mid-19th century British India? How many among the millions who pass through Trafalgar Square even know that Napier's statue adorns its west corner?

K. Natwar-Singh

"THE TROUBLE with the neo-Darwinists," says James Lovelock, "is that they've been locked in deadly combat with the religious fundamentalists for so long that they have taken on the language and methods of their opponents. They are much more dogmatic than the religious lot ever were."

Lovelock is no fundamentalist - he is deliberately agnostic. What else he is, is more difficult to say. Inventor, "geophysicologist" and scientific agent provocateur, he is the author of the controversial Gaia theory - a theory about the Earth that has percolated through environmental channels to become a popular myth.

A distinguished scientist, he was the first to identify the danger of chlorofluorocarbons - after sailing from Wales to Antarctica with a home-made gas chromatograph which he used to detect trace gases. He was also involved in NASA's search for life on Mars. He is visiting professor to the cybernetics department of Reading University, and was awarded the CBE. He was, he says, "nearly a hardware man."

But he has also been described as the Gandhi of science, a man whom Jonathan Porritt, ex-director of Friends of the Earth, once nominated as his hero, but who has called the Green movement "a potent force preventing environmental reforms." A gentle, modest man, he lives in a remote corner of North Devon, surrounded by peacocks, and software.

And yet to the scientific establishment, he is a heretic. He talks of his critics sadly. "Some of the attacks are getting quite personal. People have accused me of running a political organisation, and a publishing house to promote my ideas."

His ideas have been called dangerous. "How can a scientist say an idea is dangerous?" "I'm afraid I was rather provocative," he concedes. "I like telling biologists, 'The Earth is alive, to which they say, 'if it were alive, it could reproduce.' But seriously, we do need a definition of life. If you look in the dictionary, it is still defined as that which is not dead."

His Gaia theory is a new description of life, of why the Earth is the way it is. Importantly, it is neither a biologist's nor a geologist's description, but an attempt to combine the two.

Lovelock calls himself a geophysicologist. "I am not a radical scientist. I go back to the 18th century tradition, when science was one discipline."

To academics in the analytical tradition, this sounds suspiciously cross-disciplinary and holistic. "The biologists hated Gaia from the beginning," Lovelock muses. "They kept trying to bring up Popper - it can't be falsified, so it isn't valid."

Simply put, Gaia theory sees the Earth as a self-regulating system. It is like a tropical rainforest: the forest supports all the forms of life that live under its umbrella, but they themselves - trees, plants and animals - create the climate of the rainforest. It is, Lovelock says, a closed loop.

The Gaia theory sees the whole Earth like this. By living and breathing organisms shape a climate in which they can live, and that climate simultaneously shapes them.

It sounds so sensible that many scientists who previously dismissed Gaia as New Age nonsense now dismiss it as obvious. "Well you know what William James said," Lovelock says. "Any new idea is considered absurd at first and then later people say they knew it all along."

The provocative scientist fighting for the Earth

Juliet Sychara talks to James Lovelock, champion of the Gaia theory of a living, self-regulating planet



But Gaia is, he insists, new. "Before me, biologists and geologists worked in isolation. They worked together in the 18th century, but it all changed in the 19th century when you got professional biologists."

"They saw all interactions as between creature and creature, not creatures and the environment. It has been a dogma of biologists for so long that the chemical world is a given, and life adapts to it. All life, they believe, takes place in biology. You only need to listen to the way they talk of evolution as 'adapting' or 'responding' to the environment."

"Meanwhile geologists saw biota as a big lump that doesn't respond or change the environment, and saw the earth as having an independent history."

Gaia, says Lovelock, changed all that. It has, moreover, offered interesting solutions to long-standing problems about the Earth.

"Biologists will tell you we already knew that plants produced carbon dioxide (CO₂). But that's not very numerate. Why is CO₂ only a

trace gas in the atmosphere - and why is oxygen at nearly 21 per cent? "If you go to geologists and ask them what controls CO₂, they'll say biologists have nothing to do with it. They say it has one source - volcanic emissions - and one sink - the weathering of rock which deposits it as limestone in the ocean." Life played no part in the regulation of the atmosphere.

Gaia allowed Lovelock to hypothesise that it did - that organisms helped control CO₂ levels by pumping it continuously from the air to the ground. Subsequent experiments measuring rock weathering in the presence, and absence, of organisms support the theory - and the new explanation for the low levels of CO₂ in the Earth's atmosphere.

Gaia can answer other mysteries - how sulphur is transferred from the ocean to the land, or why clouds form over the ocean - because it understands living organisms as part of the Earth's regulatory mechanism.

None of this contradicts evolutionary theory, Lovelock says. It is method, he believes, that really divides him from the biologists. "There's nothing wrong with being a reductionist. You can take a watch to bits, or look at it and see how it works - both approaches are valid."

"But if you found a computer on the beach, there wouldn't be much point in taking it to pieces to see how it worked."

He is stoical about the popularity of Gaia with the New Age hippies. Darwin attracted a lot of fringe. "There was social Darwinism, for instance, he was accused of having put forward that theory, which was the keystone of capitalism."

And though Gaia is compatible with both God and the Greens, Lovelock does not subscribe to either creed.

"What I do take up is the Christian concept of stewardship. I think the Green movement is too humanist - too many of its members are refugees from the old humanist movement, or are communists. I see myself more as

the shop steward for all non-human forms of life."

If we are bad stewards, he warns, the consequences could be fatal. His computer model of the Gaian principle, set on an imaginary planet, Daisyworld, shows why.

Daisyworld is inhabited only by dark and light daisies. Early in the planet's life, it is cool, so heat-absorbing dark daisies grow best. As they spread over the planet, their light-absorbing quality warms its surface.

As Daisyworld warms up, the light daisies compete better, and spread. But as they spread, their light-reflecting quality cools the planet.

As time goes by, light and dark daisy populations alternately wax and wane in a self-regulating system - but the planet keeps heating up, until it is too hot for the white daisies to cool, and becomes barren.

Earth, warns Lovelock, could be like this. Man is, if you like, a daisy with a temporary advantage. But models of Daisyworld show that that can change suddenly, as the self-regulating system is tipped just too far.

Any self-regulating system as it matures is less able to contain oscillations - like the ageing body," says Lovelock. "In the end, even the white daisies can't cope."

Gaia is thus prone to flip from one steady state to another - like a thermostat which triggers a change when the temperature reaches a certain point. The fossil record, Lovelock says, suggests this has periodically happened through the Earth's history.

"If man keeps on pushing the system it could flip to a new stable state - and we could find ourselves living in very uncomfortable conditions."

The Earth, he suggests, is already close to the end of one of its long stable periods, and is growing hot. In the past, it was cooled by a fall in CO₂ levels in a sort of regulatory system. But there is now so little CO₂ left that it is not possible for it to fall enough. The system has reached a critical point.

It is, he says, "a very inconvenient moment to add carbon dioxide to the air in the shape of emissions from fossil fuel combustion."

"What I think will happen will be a flip to another steady state," Lovelock says. The flip, he thinks, could be over a minimum of one hundred years. "I don't think we'll be destroyed. But we could end up as a minor species dotted around the world."

Say that the West Antarctic ice sheet dropped off - one ultimate consequence of warming - that could mean a 15 ft rise in the sea level and an incredible death toll."

Releasing CO₂ is, he says, only one of the series of blunders that could precipitate disaster. Even more serious is the destruction of the humid tropics.

"By early next century, we could have destroyed 70 per cent of the forests and the remaining 30 per cent would not be enough to sustain the ecosystem. It would go to desert, and there would be a refugee and famine problem the like of which we have never seen."

What we can do, he says, is use technology to avoid intrusions into the earth's self-regulation - for example by burning fossil fuels cleanly.

Why should it matter if human beings destroy the climate in which they flourish? From Gaia's point of view, it could be a good thing. He agrees. "But from a selfish point of view, I've got eight grandchildren."

A life in the interstices

Michael Thompson-Noel



THESE ARE worrying days for the media. In the Guardian, Richard Harwood, ombudsman of the Washington Post, tells us that in the US the trade press has warned that the boom days for advertising may be gone forever, and that new suppliers of entertainment and information have arisen to further congest the competitive jungle wherein the traditional media fight and scrape for revenue and mass attention.

What is more, the media's pride has suffered. Says Harwood: "Once proud magazines, the Wall Street Journal reports, are offering manufacturers favourable publicity in exchange for advertising contracts, a very naughty way to do business. Others, including Esquire, Newsweek and Business Week, have been cautioned by the American Society of Magazine Editors for practices that blur the lines between news content and advertisements."

In the Times, James Bone adds to our paranoia by reporting how the US TV networks have increasingly turned to "infotainment" as their share of the nightly news audience has fallen, and by describing the growing popularity of a cheapo product known as "reality TV" which is flourishing in the interstices between news and entertainment, fact and fiction. "Reality TV" is a term which uses real life rather than fiction as entertainment, has surged on to the American airwaves in the past five years.

None of this surprises a trend-setter like me. Ever since its debut, this column has probed and picked at the opportunities for low-rent, high-return infotainment that lurk in the gaps between fact and fiction, perception and reality.

What is more, I am permitted to tell you that the response to *Hawks & Handsaws* from those who matter most has been generous and encouraging. For every two letters I get from readers telling me I couldn't make a brown dog laugh, I receive eight expressing thanks for casting rays of sunshine into grey and regimented lives.

Increasingly, however, the thought has struck me that the time has come for this column to broaden its appeal and generate even more profit by adapting itself to "reality TV."

In the US, I hear, there are now almost two dozen reality-based TV programmes ranging from talk shows to reenactments of gruesome crimes. But they are old hat. Here, instead, is the outline script for a pilot TV programme, *Hawks & Handsaws Live*, that my employers and my agent working in harmony will shortly be auctioning.

5am: My alarm clock wakes me. It is a nasty little plastic job which cannot be re-set, which I why I rise each day at 5 o'clock.

6.10am: I am drinking tea and reading the racing pages. In recent weeks I have been trying to discover whether a roulette staking system can be modified to win at horse racing. Answer: No, it can't.

6.30am: Bath, shave, gargle, dress.

7.27am: Coffee, toast, turn on dish-washer.

7.43am: Start to write a travel article. I am staying at home today to escape the office backstabbing and the chirruping of telephones that distress and enfeeble a simple soul like me. Travel-writing is hard. I change four words around. Then I change them back.

10am: Hair-cut. "It's supposed to look like this," I tell the stylist, showing him a cutting of the pen-and-ink drawing affixed to this column. "Just like Jonathan Ross."

12.45pm: The travel piece is stalling. There is an undertone of frivolousness I am struggling to expunge, so I switch to shorter sentences and extremely simple words. When in trouble, chop all sentences in half.

1.08pm: Baked beans on toast. Listen to the radio. Walk in the rioting garden. Bring in the towels. Empty the dish-washer. Wonder what Len Deighton is having for lunch.

Count my money. Wonder whether the price of gold will rise above \$370 again in my lifetime. Inspect the rising damp. Read about the hostages. Drink a pint of milk. Clean and scrape my teeth. Re-count my money. Notice that the ironing lady has at last pressed my tennis shorts.

1.57pm: Swiftly visit the betting shop, where they seem genuinely pleased to see me.

3.32pm: Travel piece flowing now. Sentences ever shorter. Lots of common words. Mustn't risk parody, though.

4.45pm: Re-visit the betting shop. I have backed two winners. No-one pleased to see me. "Why is it," I ask them, "that I always have a new, printed banknote while the ones you give me have been laundered so often they're falling apart?" Answer comes there none.

7pm: Watch the first half of *Channel 4 News* with Nicholas Owen (blue suit, funny tie) and Zeinab Badawi (radiant and beautiful). As usual, the programme is so complicated and long-winded that I almost pass into unconsciousness, but rally myself in time to switch to *Coronation Street*.

8.03pm: Because the cook is on holiday, I study the notes she has left me: "Wednesday, supper. Heat M&S 'Lingui With Seafood' at 180°C. Remove sleeve. Do not remove film. Place on baking tray for 25 minutes. If wish, boil peas. Fruit. Cheese. Chocolate biscuits in cupboard."

8.37pm: Turn on dish-washer.

9.24pm: Empty dish-washer.

9.30pm: Lock back door. Inspect the rising damp. Count my money. Wonder whether the price of gold will rise above \$370 again in my lifetime. Re-count my money. Wonder what Len Deighton is having for supper, and where, and with whom. Clean and scrape my teeth. Wonder whether *Hawks & Handsaws Live* will be snappily up the auction. Will it make me rich? Will fame prove my downfall? Turn on dish-washer. Turn off light.

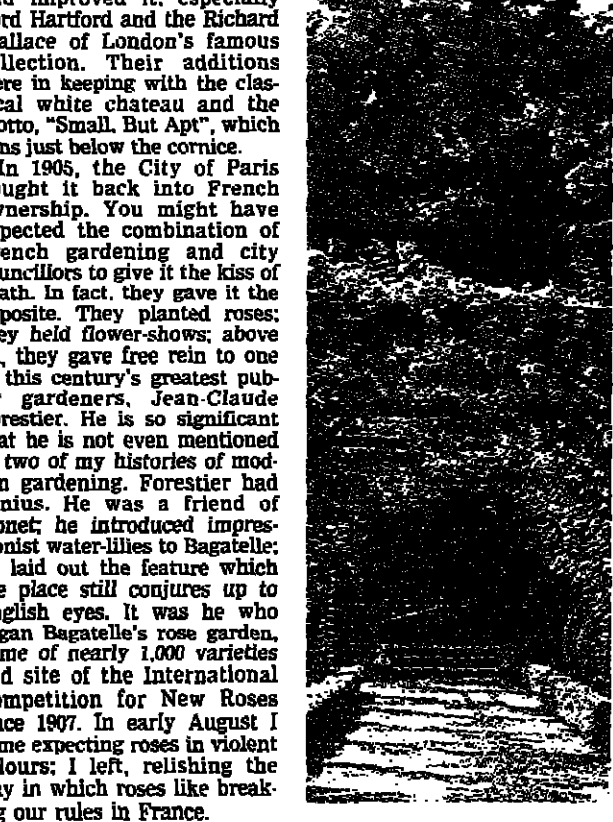
THE SUN was playing on the waterlilies; a haze of pale blue clematis had just closed behind me; there were no weeds; roses were flowering by the thousand and oddest of all, I was in France.

Every English person knows that the French make the best gardens, yet this knowledge was breaking up around me. True, there were busy lizzies in too many colours at the bottom of most of the shrubberies where the roses were all too modern. But here was a place with a garden laid to its right on the edge of Paris's Bois de Boulogne. Last week's French post-modernism seems a distant dream: in the grottoes and waterfalls, any of the graces might be tempted to sit and picnic on a petal-laden bough. I think I remember that a French garden-owner told me that Bagatelle is not French at all. It was too good, she thought, the only French garden which measures up to England's class. If I remember right, she was right too, but not quite as she intended. At the western end of the Paris Metro, Bagatelle has a gem of a chateau, completed in 1786: it also has a garden with deep English roots. There has been a curious to and fro. In England, great gardens like Hidcote and Sissinghurst owe an important debt to historic French themes and style. In Paris, though I never knew it, Bagatelle has an English pre-history and quality which makes Kew Gardens seem dreadfully earnest.

In the 1780s, the chateau's French owner had a capable Scotsman, Thomas Blaikie, to lay out a park in the natural English style. Most English tourists, like myself, leave Paris in blissful ignorance of its existence, but it makes up for the state of the Tuilleries. Blaikie had a lively career in Europe: he left Bagatelle with a lake, waterfalls, sham ruins and marvellous outcrops of rock in the natural manner. Some of this English style still survives. From 1835 to 1905, Englishmen lived in the place

A garden of graces

Robin Lane Fox discovers a little-known French paradise that matches the best of British



French flair: Bagatelle's pergolas break the rules

and improved it, especially Lord Hartford and the Richard Wallace of London's famous collection. Their additions were in keeping with the classical white chateau and the motto, "Small, But Aged", which runs just below the cornice. In 1905, the City of Paris bought it back into French ownership. You might have expected the combination of French gardening and city councillors to give it the kiss of death. In fact, they gave it the opposite. They planted roses; they held flower-shows; above all, they gave free rein to one of this century's greatest public gardeners, Jean-Claude Forestier. He is so significant that he is not even mentioned in two of my histories of modern gardening. Forestier had genius. He was a friend of Monet; he introduced impressionist water-lilies to Bagatelle; he laid out the feature which the place still conjures up to English eyes, and he was who began Bagatelle's rose garden. Some of nearly 1,000 varieties and site of the International Competition for New Roses since 1907. In early August I came expecting roses in violent colours: I left, relishing the way in which roses like breaking in the place.

The rule-breakers are not this year's International prize-winners. They all look singularly awful, most of them being semi-double, harshly coloured and less resistant to bad weather than to the charms of scent. Their neighbours are much more interesting. At Bagatelle, dozens of strong roses climb and ramble, but very few are on the arches and designer-hoops which dominate English taste. Instead, they grow on solid rectangular pergolas of wooden poles which I priced out at a third of

them is up to four yards wide. The scale could be reduced slightly, to three yards, I thought. Each beam and upright is set with little iron staples, hammered into it. These hooks hold the roses in place so that nothing flops. In the weeks after flowering, this control surprised me. On each of the uprights not one, but two, vigorous ramblers had been planted and allowed to make nonsense of English instructions. Their stems are not spread out like fans. They are clamped together in criss-crossing bunches which are nailed to the post by a single staple. Our pruners tell us that the stems of roses must never rub and touch; at Bagatelle, they do exactly the opposite and are totally happy.

Our books also tell us to prune them in late winter or spring. At Bagatelle, climbers are clipped as soon as they have flowered. As a result, roses as vigorous as *Albertine* or *Wedding Day* run like well-behaved streams of ivy along single drapes of hanging rope. "If a branch offend thee, cut it out..." at Bagatelle, the roses are pruned throughout the summer with Biblical savagery. They thrive on it.

Unfortunately, there is the usual hiatus in French ideas of their history: even here, "old" roses are roses which were bred in 1930 or 1953. The great French beauties of the 19th century are missing. In their absence, civilised taste in colour has to look elsewhere.

It does not have to look too far. As I veered away from yet more *Danse de Feu*, I found myself in a haze of white daisies by a gardener's cottage. These daisies are winners. French gardening at its best. English gardeners too often forget them, the white *Cosmos*

daisies which will grow easily from seed sown indoors during May; in our lists, *Cosmos Purpure* is the best form and would look wonderful among next year's old roses as their flowers begin to fade.

Cosmos daisies, not roses, ought to be the emblem of the garden, but the heart of the charm lies just behind the gardener's house, on one side, a wall protects a small garden; on the other, clay pots of geraniums are lined out on a terrace. *Cosmos* careers everywhere, fuchsia grows French abundance; above all there are clouds of happy, familiar clematis.

This queen of climbers is growing on a secondary line of support which protrudes from the face of the wall behind it. I am not sure why this double layer of trellis was installed, but it shows off its clematis beautifully. Unlike the roses, older French clematis are here in plenty. Mme E. André and *Contesse de Bouchard* stand by the dozen among viticella and texensis forms and old favourites like *Lasurstem* and purple-blue *The President*.

You can even forgive the inevitable French margins. In this enclosed garden, great groves used to display their new varieties before an urban public, who came to stroll through the best of their gardening future. This little presentation "garden" erased last week's post-modernist style of bamboo and rumbling concrete and banished it, a dozen steps away to the far end of the Metro. There would be a better post-modernist life as head gardener among the visiting graces in Bagatelle's *jardin des presentateurs*.

I had never expected to find better than Britain on the edge of Paris, but I would settle for a life here, with licence to kill the new roses. Give me five years, and even Forestier's presiding spirit would smile and look down from superior heights on anything in a London park.

Scottish scandals

PLAY on the outskirts of the city aptly illustrates the underlying theme of this year's Edinburgh Festival. Performed by the West Lothian Youth Theatre, it is called *Desperately Seeking Scotland*. The piece contains lines like the "The 17th century was the worst hundred years of my life" and "We can fight all right, but we can't win: the odds are stacked against us."

Move to the more formal surroundings of the Royal Scottish Academy in Princes Street and you will find another example. The central exhibition this year is *Virtue and Vision, Sculpture and Scotland 1540-1990*. A prominent exhibit by the young sculptor, David Mach, consists of an array of whisky bottles under which there is an image of a woman lying abandoned on her back. The work is titled *Dying For It*, raising the obvious question: Scotland, drink, sex, or perhaps the whole lot?

The Festival has not had a happy first week. On Monday the Prince of Wales announced that he was resigning as President of the Patron of the National Museums of Scotland on the grounds that he did not like the way that the design for the new National Museum had been chosen. On Wednesday Frank Dunlop, the outgoing director of the Festival, chose to accuse the festival of "degenerating into a hard-core circus". In Edinburgh these things hurt.

If the Prince had resigned from a committee in England, the incident would have been dismissed as another of his fits of eccentricity. But building a national museum in Scotland is a desperately sensitive subject. Some people think that the site is in the wrong part of Edinburgh, others that it should not be

sub-educational culture, where it is thought clever to mention (say) the ozone layer, but not necessary to go any further. See, for example, a play called *Once Upon a Time in Tottenham Dale* where the two characters, Dave and Bill, trade on such half-knowledge. Meanwhile, there is a good deal of snappishness at the auction. Dunlop should be aware, however, that the Festival proper is far from glittering. A performance by the Lenkom Theatre of Moscow is almost thrown away by the inadequacy of the translation system and there remains, after all these years, a general lack of decent facilities.

If this Festival has a theme, it relies on bringing in outsiders, notably east Europeans, presumably because they are cheaper and more readily available than mainstream attractions. Even Yukio Ninagawa, the Japanese director and frequent visitor, fits into the outsider category: more admired in Edinburgh than in his home country.

One of this year's successes is R.S. Silver's *The Bruce*, an epic play about the birth of the Scottish nationhood, given its first full performance some 40 years after it was written. A programme note claims that it would have been staged long ago if there had been a National Theatre of Scotland. In truth, it could have been put on at any time. It has been put on now because the Scots are re-exploring their roots and looking to their future as a small nation in Europe.

It does not have to be gloomy. At the end of *Desperately Seeking Scotland*, Scotia, the daughter of the eternal mother, Caledonia, says that the answer is to stop living in the past. "We'll go and discuss it over a wee dram," says the mother. "No," says Scotia, "let's go for some coffee and quiche."